EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,344

Friday January 4 1991

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Bang goes a theory
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World News

France stays firm after rebel attacks in Corsica

The French government refused to bend to nationalist pressures in Corsica which reached a new peak with six bomb attacks by the Corsican National Liberation Front.

There was no loss of life in the near-simultaneous attacks, in which at least 70 activists must have been mobilised, but properties were seriously damaged. Page 2

Germans opt out

Three-quarters of Germans believe that their country should avoid international conflicts, according to a poll which highlights the reasons behind Bonn's low-key role in the Gulf crisis. Page 14

Somalian relief

European nations stepped up efforts to evacuate their foreign nationals trapped in the Somali capital of Mogadishu, moving aircraft and ships into the region as heavy fighting continued between rebels and government troops. Page 4

IRA suspect shot

Patrick Sheehy, one of Britain's most-wanted IRA suspects, was found dead in the Irish Republic with a bullet shot through his temple. Suicide was suspected. Page 14

Guinea reopens link

Papua New Guinea announced the resumption of medical services and communications with the island of Bougainville, where rebels have declared independence. Page 4

Strike ends in peace

Turkey's first general strike in more than 10 years, declared illegal by both the government and the courts, passed off peacefully despite fears of civil disturbances. Page 2

Lithuanian defence

Lithuania said it had stepped up defence of key buildings against possible Soviet attack and appealed for more western support. Page 2

Israel restores ties

Israel reopened a consulate in Moscow almost 24 years after the Kremlin severed diplomatic ties. Page 14

South Africa arrests

Police arrested 25 blacks who reoccupied ancestral land taken from them under South Africa's apartheid laws almost 20 years ago.

Sri Lankan ceasefire

Sri Lanka will suspend offensive operations against Tamil rebels for seven days from today. It is responding to a unilateral ceasefire declaration by Tamil separatists.

US advisers killed

Salvadorean rebels killed three US military advisers when they shot down a helicopter in the east of the country.

Albanian exodus

Communist Albania, facing an exodus to neighbouring Greece, last year issued 22,000 passports to people wanting to make the trip, the Interior Ministry said.

Poland hits at fraud

Poland has recruited "tax police" to clamp down on tax-dodging and fraud following a surge in financial operations.

Weekend FT

Tomorrow: Saddam and Bush — the destiny of two opposites shaped by an obsession with oil

Business Summary

Luxembourg steel-maker expects fall in profits

Arbed, the Luxembourg steelmaker, has warned that its profits for 1990 will be well below the record profit of 1989, hit both by the crisis in the Gulf and the slow down in the steel sector. Page 15

Markets: In Frankfurt the DAX index ending just 0.55 higher at 1,366.65 fell sharply. In New York, the Dow Jones Industrial Average was 19.80 lower at 2,590.84 by mid-session. World Stock Markets, Back Page Section II; Lex, Page 14

MATSUSHITA Electric Industrial's purchase of MCA, the US entertainments group, has sparked new controversy over Japanese investment in the US and charges of coercion and "Japanese bashing" against a Bush Administration cabinet secretary. Page 3

OLIVETTI, Italian electronics company, hopes to secure government backing for an early retirement scheme following the intervention of Carlo Donat Cattin, minister of labour, and strong lobbying by trade unions. Page 15

VIRGIN Atlantic Airways, independent UK airline, asked the Civil Aviation Authority to grant it additional rights to fly to Tokyo's Narita airport to compete against British Airways. Page 14

US federal regulators said they will insure 22 credit unions in Rhode Island out of 33 which applied for federal insurance coverage. Page 3; Lex, Page 14

NORDBANKEN, Sweden's state-controlled commercial bank, has appointed Hans Dalborg as chief executive. Page 15

SOURCE Perrier chairman Jacques Vincent expects to see product sales in the US recover to the levels attained before it withdrew its mineral water because of a health scare. Page 15

GULF International Bank, Bahrain-based international bank badly hit by Iraq's invasion of Kuwait, has begun a retrenchment. Page 4

METRONOM, a Soviet enterprise, has bought out Construction, a small western-owned company near Siedlce, Poland. Page 2

BHP, Australia's biggest company, said it had increased its stake in in ARC Titan, a Papua New Guinea steel storage and processing company, to 80 per cent. Page 17

CITICORP launched 5m French franc currency warrants which became the first currency warrants to be listed on the Paris Bourse. Page 18

US RETAILERS survived the Christmas season without any big casualties despite falling consumer spending; overall store sales were no worse than analysts had expected. Page 17

DEGUSSA, Frankfurt-based metals and chemicals group, said it had bought 7.42m shares in Pancontinental Mining from Dresdner Bank for A$16.1m, ($12.3m) increasing its stake in the Australian mining group to 14 per cent. Page 17

CHICAGO Board of Trade, the world's largest futures exchange, achieved record volume of 154.2m contracts in 1990. The total was 11.5 per cent up on the 1989 figure. Page 18

SOUZA CRUZ, Brazilian subsidiary of British American Tobacco, is to begin exporting cigarettes to the Soviet Union for the first time, in an attempt to compensate for domestic losses on cigarette sales. Page 17

CANADIAN business downturn appears to be dampening the inflationary impact of the new 7 per cent goods and services tax (GST) which took effect on January 1. Page 3

● US expects Baghdad answer by tomorrow ● Congress strongly supports initiative

Bush offers Iraq talks in Geneva

By Lionel Barber in Washington, David Buchan in Brussels and Ralph Atkins in London

PRESIDENT George Bush yesterday offered to send Mr James Baker, US secretary of state, to Geneva next week for talks with Mr Tariq Aziz, the Iraqi foreign minister, in what he called "one last attempt to go the extra mile for peace" in the Gulf.

The offer breaks the deadlock over proposed high-level talks between Washington and Baghdad just 12 days before the expiry of the United Nations deadline for Iraq to withdraw from Kuwait.

Mr Bush's offer comes amid mounting congressional and European pressure for talks with Baghdad, and effectively pre-empts a possible European diplomatic initiative at a meeting of EC foreign ministers in Luxembourg today.

Meanwhile the UK expelled more than 70 Iraqis, including eight embassy staff in London, after what the government described as "public threats" by Iraq linked to possible Gulf hostilities.

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Mr Bush made his proposal – which suggests a Baker-Aziz meeting between January 7 and 9 – shortly before meeting Congressional leaders, who have expressed concern at the lack of diplomatic efforts to resolve the Gulf crisis.

Washington had previously said that it could not support holding talks with Iraq after January 3. However, Baghdad insisted that talks must take place on January 12, which the US said was too close to the UN deadline.

US officials said they expected Iraq to respond to the new offer by tomorrow. The offer was put to the Iraqi government earlier yesterday by Mr Joe Wilson, the US chargé d'affaires in Baghdad during talks he described as being held in a "very good" atmosphere.

Iraqi officials said last night they were "studying" the proposals. Iraq has indicated that it would not consider any talks worthwhile unless they constituted the opening of negotiations.

Mr Marlin Fitzwater, White House press secretary, sought to counter any impression that the new diplomatic initiative signalled a weakening of US resolve. "No negotiations, no compromise, no attempts at face-saving and no rewards for aggression," he said.

But Mr Ziad Haidar, the Iraqi ambassador to the EC, said in Brussels yesterday that there would be no sense in any mission to Iraq simply to repeat the content of UN resolutions. "We are perfectly able to read and understand them ourselves," he said. Mr Haidar was addressing the prospect of possible EC-Iraqi talks and made his remarks before Mr Bush made his new proposal.

The US offer, which follows several days of intensified diplomatic activity but little apparent movement towards peace as the UN deadline nears, was welcomed by European and Arab leaders. Mr John Major, the British prime minister, welcomed "very much indeed" the US plan, which he described as a "useful development". He appeared confident that a meeting would take place in Switzerland.

The initiative won immediate support yesterday from King Hussein of Jordan, who was on the London leg of a European tour in a renewed effort to mediate in the crisis.

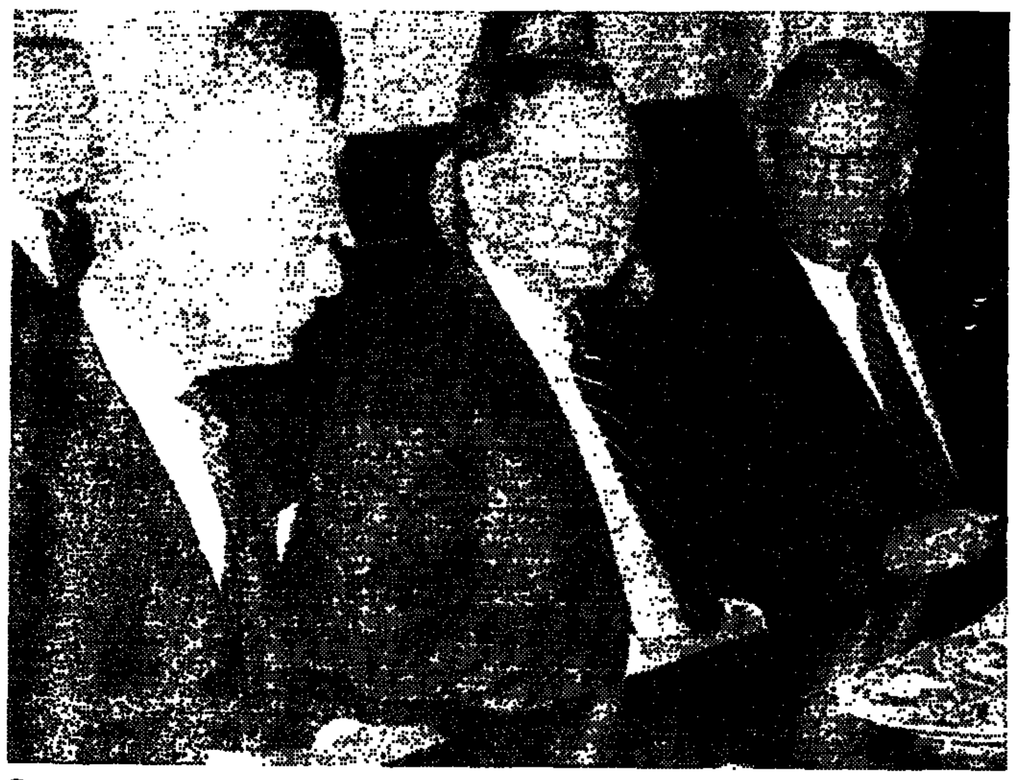
King Hussein described the move as "an important step at a critical time". Speaking in Downing Street after a lunchtime meeting with Mr Major, he said the initiative was "positive news".

The US proposal has eased pressure for a separate European initiative. The Community seems more likely to follow the US line, whatever Iraq's response to Washington's proposal.

EC diplomats said in Brussels yesterday that if the proposed talks went ahead, Mr Aziz would then be invited, probably to Luxembourg, to meet the Italian, Luxembourg and Dutch foreign ministers, who represent the EC's past, current and future presidencies. But if Baghdad turned down the meeting with the US, EC diplomats forecast that virtually all Community states, even those such as France, Italy and Germany that have been pressing hardest for Europe to fill the present diplomatic void, will see any solo EC-Iraq encounter as pointless or counter-productive.

Earlier this week, Senator Robert Dole, Republican minority leader, said the American people were not ready for a war, suggesting that high-level talks with Baghdad should be seen to fail before the use of force should be contemplated.

Mr Baker's proposed meeting with Mr Aziz should take place in the middle of a new diplomatic swing through the Gulf region to consult with allies, before the January 15 deadline. He is expected to visit Egypt, Saudi Arabia, and possibly Turkey.



George Bush (centre) briefs congressional leaders on his latest Gulf initiative yesterday

Democrat leaders refuse to support war resolution

By Peter Riddell, US Editor, in Washington

DEMOCRAT congressional leaders yesterday refused to back a resolution giving President George Bush unconditional authority to take military action against Iraq.

A 90-minute meeting at the White House between Mr Bush and congressional leaders failed to resolve differences over the need for prior congressional approval of any military action and over the timing of any resort to force.

Comments afterwards underlined the doubts of many Democrats, and some Republicans, about whether the American public is ready to go to war.

Mr Tom Foley, Democratic House Speaker, said next week's visit to the Middle East and Europe by Mr James Baker, the secretary of state, "makes it desirable that we have the results of that meeting before initiating a debate".

The proposed meeting early next week between Mr Baker and Mr Tariq Aziz, the Iraqi foreign minister, was strongly supported by congressional leaders yesterday since both Democrats and Republicans such as Senator Bob Dole, the Republican minority leader, have been urging Mr Bush to make further diplomatic efforts before going to war.

Mr Bush said it would be helpful if there was a congressional resolution that mirrored the November 29 United Nations resolution authorising the possible use of force. In the absence of such support he was not sure such a debate would be helpful.

However, Senator George Mitchell, the Democratic majority leader, said that such a blanket resolution was not possible since debate could not be limited and amendments would be offered. He also advised the president that it was doubtful if such a resolution would pass now, or if it did, it would be by a narrow margin. Various amendments have already been proposed.

Though Congress normally is in recess until the end of January, members have been told to remain available on a day-to-day basis to return on short notice should that become necessary.

Mr Mitchell said there remained broad support for the aim of removing Iraq from Kuwait and "the substantive disagreement" was about whether any use of force "should be early, or a truly last resort only after all other means (notably persisting with tight economic sanctions) have been exhausted."

He stressed that his belief was that Congress would not now, nor should, pass a resolution giving the president "unlimited authority to initiate a war at some unspecified time in the future under some unspecified circumstances entirely of his choosing."

"It is our view that the constitution requires the president to seek the prior approval of Congress for offensive military action in the Gulf now, a situation in these circumstances which would clearly be an act of war and under the constitution only the Congress can declare war. The president holds a contrary view."

Gorbachev and Soviet republics agree 1991 budget deal

By Quentin Peel in Moscow

A CRITICAL economic agreement appeared to have been reached yesterday between President Mikhail Gorbachev and the 15 Soviet republics, heading off an open confrontation over budget spending and taxation.

The deal was struck at the first meeting of Mr Gorbachev's enlarged Federation Council, bringing together the leaders of all the republics, including Mr Boris Yeltsin, the rebellious leader of the Russian federation.

Although no details of the agreement emerged last night, Mr Gorbachev said on Soviet television that the principles on which both the union government and the republics can draft their budgets had been agreed.

This suggests that the Russian government has backed down on its plan to withhold the lion's share of its taxation for the coming year, leaving the central government with less than half the cash needed to finance defence spending, communications and energy programmes.

"This is a key question, the question of our life," Mr Gorbachev said. Experts from the central government and the union republics had worked throughout the new year to thrash out a deal.

He said that a key element in the agreement was in finding a way to compensate the raw material producing regions for their lower revenues, compared with the manufacturing regions. That would mean a better deal not simply for Russia's oil and gas, but also for other key republics like Kazakhstan.

"We don't want to see an explosion of prices," said Mr Gorbachev, only two days after state-controlled raw material prices, including energy supplies, were raised by up to 130 per cent. "We found a way to help the raw material republics."

What was unclear after the meeting was exactly how far Mr Yeltsin had agreed to compromise on his battle to control Russia's tax revenues and undermine the power of the centre.

Another key question was the extent to which the most openly dissident republics, including the Baltic republics and Georgia, were prepared to go along with the agreement.

Continued on Page 14
Price reforms, Page 3

Rise in insurance costs forces Pan Am to halt Israel flights

By Richard Lapper and Paul Abrahams in London

PAN AM yesterday announced it is to suspend flights to Israel and Saudi Arabia following a 1,000 per cent plus increase in war insurance rates.

Insurers in London, one of the world's leading markets for aviation insurance, increased war insurance rates for all destinations in the Gulf region on January 2, with aircraft serving destinations in Israel and Bahrain facing the steepest rises.

Pan Am, which says it is to suspend flights for at least a week, said yesterday that the cost of insuring the Boeing 727-200 used on its daily flights from Paris to Tel Aviv had risen from $3,200 to $60,000 a flight.

The cost of insuring the Airbus A320 flying twice-weekly from Frankfurt to Riyadh had increased from $16,000 a flight to $162,000. The company said it was unable to pass the additional costs onto its customers and could no longer operate services to Israel and Saudi Arabia profitably.

Pan Am is the first scheduled carrier to cancel services to Tel Aviv since Iraq's invasion of Kuwait in August. KLM, Swissair and Air France have changed their flight schedules so that aircraft and crews do not have to spend the night in Israel.

Insurers first charged war risk policies for flights into the Middle East in August, with airlines paying premiums of between 0.0125 per cent and 0.02 per cent of the value of an aircraft for each flight into the region.

From 2 January that rate was increased to 0.25 per cent for aircraft flying to both Israel and Bahrain.

"Israel is a very exposed territory," explained one of the leading war risk underwriters at the Lloyd's of London insurance market. Bahrain's increase was particularly steep because of the presence of hundreds of military aircraft on the ground there made it a likely "first strike target", added a broker.

Rates for flights into Riyadh and other destinations in Saudi Arabia north of the Tropic of Cancer are increased from 0.05 to 0.25. Rates for flights into Saudi Arabia south of the Tropic of Cancer are to be doubled (to 0.1 per cent). Rates for flights into Jordan rise from 0.05 per cent to 0.2 per cent. Other destinations affected include Oman, Dubai, Iran, UAE, Yemen and Egypt.

Aircraft staying over five hours in the destinations must pay twice as much per flight, those staying over 24 hours face fourfold increases. Those carrying military equipment or personnel pay more.

London insurers have already paid out on claims for aircraft lost due to the crisis in the Gulf. According to the underwriter this had influenced the size of the increase. London underwriters paid around $228m of a $300m insurance claim compensating Kuwait Airways for the loss of 15 aircraft confiscated by Iraq on August 2.

The claim represented nearly half of the total insured aviation losses for 1990 of nearly $645m, according to figures produced by Aviation Information Services.

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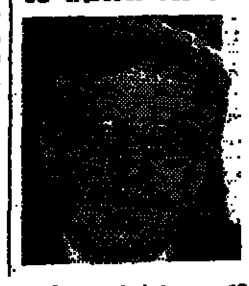
Realities of free market begin to dawn on Czechoslovakia



Tight fiscal control by Vaclav Klaus (left), the Czech finance minister, has so far succeeded in holding down inflation. But on New Year's Day the economic rules changed dramatically Page 2

MARKETS

STERLING
New York lunchtime:
$1.9465
London:
$1.9465 (1.9425)
DM2.905 (2.895)
FFr9.8675 (9.8525)
SFr2.465 (2.4525)
Y259.0 (261.25)
£ index 94.1 (93.8)

GOLD
New York: Comex Feb
$ (391.1)
London:
$386.25 (392.25)

N SEA OIL (Argus)
Brent Feb
$ (26.50)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.4923
FFr5.073
SFr1.2655
Y132.85
London:
DM1.4925 (1.49)
FFr5.07 (5.0725)
SFr1.2665 (1.262)
Y133.0 (134.5)
$ index 60.9 (61.1)
Tokyo: closed

US LUNCHTIME RATES
Fed Funds $7\frac{5}{8}$%
3-mo Treasury Bills:
yield: 6.63%
Long Bond:
$106\frac{23}{32}$
yield: 8.12%

STOCK INDICES
FT-SE 100:
2,117.8 (-10.5)
FT Ordinary:
1,648.5 (-7.2)
FT-A All-Share:
1,019.78 (−0.5%)
FT-A World Index:
129.55 (-0.2%)
New York lunchtime:
DJ Ind. Av.
2,596.29 (-14.35)
S&P Comp
324.43 (-2.02)
Tokyo: closed

LONDON MONEY
3-month Interbank:
closing 14-$13\frac{1}{32}$%
($14\frac{1}{16}$%)
Liffe long gilt future:
Mar $90\frac{1}{32}$ ($88\frac{9}{16}$)

Public opinion survey throws light on post-unity divergence between citizens of east and west

Today's Germans: peaceable, fearful — and Green

By David Marsh in Bonn

BELYING HIS image as a man with his boots firmly planted in the Rhineland vineyards, Chancellor Helmut Kohl is *something of a cosmopolitan* when it comes to international affairs. *He likes to reproach his* fellow Germans for their "provincial" views *about the new* responsibilities the united Germany *is being asked to assume* on the world stage.

The chidings of the Chancellor – and the feeling of many observers that the new Germany will be more inward-looking – are borne out by the findings of a detailed opinion poll published today.

The survey, presenting a fascinating picture of the united Germany's attitudes and aspirations, was conducted in the east and west of the country by the Infratest polling organisation for the Süddeutsche Zeitung newspaper.

It reveals that the turnaround from the old image of power-lust and military adventurism could hardly be more complete. Today's united Germans are peaceable, reasonably tolerant, incorrigibly fearful and, in their thinking on the environment, unashamedly Green.

The survey throws light on the post-unity divergences between east and west. The *main preoccupation* of many west Germans seems no longer *to be making money*, but to be allowed to carry on enjoying *their wealth in comfort* and security, disturbed as little as possible by the pressures of the outside world.

In view of the dramatic economic restructuring east of the Elbe, east Germans are, *understandably*, more anxious about losing their jobs. But 65 per cent of east germans, and 52 per cent of west Germans, believe that by the year 2000

> Asked which country they viewed as a model for a united Germany, 40 per cent of respondents hailed Switzerland, seen as a paradigm of "wealth and independence"

economic conditions will be roughly equal in the two halves of the country.

Asked which country they viewed as a model for a united Germany, 40 per cent of respondents hailed Switzerland, seen as a paradigm of "wealth and independence". *Next followed* Sweden with its celebrated (though lately some*what tarnished*) social security network, with 29 per cent support. *The* US, France and Britain were well down the league table of "model" states, attracting the support of 6, 8 and 2 per cent of respondents.

Asked for a list of areas where the state should spend more money, 87 per cent of west Germans included spending on the environment, along with 82 per cent of east Germans. A total of 71 per cent of all Germans see the environment as top priority for the government and industry.

There was a nil response in both east and west for the suggestion that more money should be spent on defence.

A total of 53 per cent of west Germans, and 45 per cent of east Germans, complained that ordinary people were exerting too little influence on the helter-skelter politics behind German unity.

Asked about their chief fears for the year 2000, west Germans put environmental damage at the top of the list (65 per cent), with 52 per cent of east *Germans seeing* this as the main scourge.

Drugs (65 *per cent*) and crime (67 per cent) topped the *list of east German* anxieties. About one third of east and west *Germans feared "too* many foreigners".

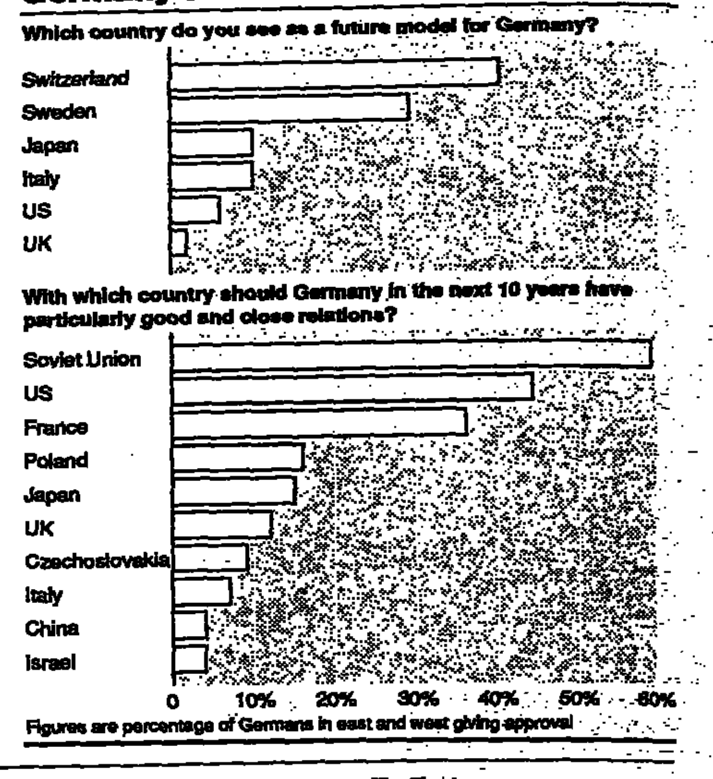
In spite of the ebbing east-west confrontation, war is still *feared by 45 per cent of east* Germans and 36 per cent of those in the west. *As many as* 13 per cent of east Germans are worried about the world's destruction – against 8 per cent in west Germany. *Unem*ployment is feared by 47 per cent of east Germans, against 29 per cent of their western compatriots.

Not surprisingly, 42 per cent of east Germans thought more funds should be diverted to boost the economy, against only 18 per cent in the booming western half of the country. Only 13 per cent of west Germans – but 43 per cent in east Germany – wanted more funding for road-building.

Underlining the different priorities, 23 per cent of west Germans favoured more resources for schools, but only 13 per cent of east German respon*dents agreed* with this view.

Other answers showed how the legacy of communism remains strong. Forty per cent *of east* Germans voiced a desire for more respect for *state authority*, against only 22 per cent in the west. In east *Germany*, 65 *per cent* of those questioned wanted greater police presence, *much* more than the corresponding western percentage *of* 25 per cent.

In one area, however, east Germans *have plainly* been starved of western style permissiveness: 62 per cent of east Germans thought there should be sex films on television.



Paris stands firm after separatist attacks in Corsica

By Ian Davidson in Paris

THE FRENCH government yesterday refused to bend to nationalist pressures in Corsica which reached a new peak on Wednesday night with six bomb attacks by the Corsican National Liberation Front (FNLC).

There was no loss of life in the near-simultaneous attacks, in which at least 70 FNLC activists must have been mobilised, but properties in different parts of the island were seriously damaged.

The bombings are intended to challenge the government's *new local government* policy for Corsica, which is due to be *enacted at a special session* of parliament later this month.

Responding to the wave of violence, the French government said after a special cabinet meeting yesterday that there would some new appointments in the law-and-order structure, but that there would no change in French policy towards Corsica. The government did not propose any strengthening of the police presence in Corsica, which is already three times as great *per head of* population as in the rest of France.

The new bill would reinforce Corsica's local autonomy, *which is already significant*, but its chief novelty would be the explicit acknowledgment in the bill of the existence of "the Corsican people, as a component of the French people".

This concession to Corsican individuality, though rejected as inadequate by Corsican hard-liners, is also opposed by *the most traditional republi*cans in France, including the *nationalist wing of the ruling* Socialist Party.

While *claiming responsibil*ity for Wednesday's bombing, the FNLC disavowed any connection with a string of murders of prominent local politicians. The most recent killing was that of Mr Paul Mariani, socialist mayor of Soveria in Haute-Corse, on New Year's Eve.

The FNLC said yesterday it had not abandoned the military ceasefire which it inaugurated in May 1988, and implied that the recent murders were deliberately intended to provoke government repression. "The assassinations of recent months are a complete break with our fundamental values," it said.

It insisted that one of its aims in bombing property, without taking life, was to deter the take-over of Corsica by foreign property developers, and the transformation of Corsica into "the sun-tan centre of Europe".

Reports from Corsica have suggested that some of the killings may have been connected with clan quarrels or gang warfare, rather than with any *political liberation movement*.

On the other hand, the inside *story of Corsican politics* and society is notoriously murky. Moreover, tension within the liberation movement, over the right strategy in response to the government's policy, last November led the FNLC to split.

General strike has little effect on Turkish life

By John Murray Brown in Ankara

TURKEY'S first *general strike* in more than 10 years, declared illegal by both the government and the courts, passed off peace*fully* yesterday despite fears of civil disturbances.

In cities where union support is strong, the one-day stoppage had little effect on public services, with trains operating with a reduced workforce, but some city bus routes cancelled. Turkish airlines cancelled two domestic flights. Istanbul ferry lines were said to be fully manned.

If the union intention was to bring the country to a standstill, it failed.

But Turk-is, the biggest union federation, said 90 per cent of its 1.5m members had stayed away from work and employers broadly confirmed the claims.

Public-sector employers said they would dock the wages of those on strike. But private-sector employers said they would ignore the government's call for companies to report the names of striking workers to the public prosecutor's office.

Some 50,000 coal miners on the Black Sea are already on strike, while 100,000 metal workers have downed tools, and textile and paper workers have pledged to join the strike.

In Ankara, the authorities are preparing for today's threatened march by the coal miners, whose three-month pay dispute has been the main focus of the union action. Ankara's governor has declared the city centre a forbidden zone and newspapers say security forces are on alert on roads into the city.

Bonn seeks prescription to end drugs row

By Katharine Campbell in Frankfurt

GERMAN pharmaceutical industry representatives yesterday met Mr Norbert Blüm, the social services minister, amid a barrage of criticism about their refusal to sell drugs cheaply to eastern Germany.

The furore has arisen because of a clause in the German unification treaty saying that from the beginning of this year drugs on prescription in the east are to sell at just 45 *per cent of the equivalent west* German price.

This provoked *an outcry* from western companies, who see themselves robbed of lucrative new custom, and many of them brought in a delivery boycott as the measure came into force on Tuesday.

East Germans, angry at the threat of shortages of medicaments, are complaining they are again being treated as second-class citizens.

Some drug stores in the east *have closed in protest*, and there has been fierce criticism *of western companies'* behaviour from both sides of the former border, with the Christian Democratic party's social services committee lambasting the boycotters as "the robber barons of German unity".

The argument behind the changes is that lower wages in the east, with lower insurance contributions, leave health insurance companies with a big deficit.

Mr Blüm thought a way to close the gap was to cut the cost of prescription drugs over three years until contributions *boosted insurance kitties*. But drug companies, already furious at the Bonn government's 1989 health reforms which *slashed* the price of non-patent drugs, fear a black market could develop and upset western pricing patterns.

Drug companies stuck to their boycott yesterday despite Mr Blüm's call to resume deliveries. But hope of a compromise emerged with the industry's offer of DM900m (£310m) to help cover the insurance companies' deficit in return for a free pricing regime.

● Deutsche BP, a subsidiary of British Petroleum, is to help *market and* distribute oil products from the east German refinery of Leuna, *writes Andrew Fisher in Frankfurt*.

Under a deal signed late last month with Leuna and Intrac, an east *Berlin-based trading* company, three new companies *will be set up for the purpose*.

BP said Leuna had a capacity of 5m tonnes *a year and* would supply its planned pet*rol station network in east* Germany and other customers.

Soviet prices chief defends the policy of government-controlled increases

By Quentin Peel in Moscow

PRICE REFORM in the Soviet Union, which began with a swingeing 130 per cent increase in oil prices on January 1, is an *attempt* to correct at least 30 years of deliberately suppressed *inflation*.

The drastic changes planned this year in both retail and wholesale prices, which many economists fear *will* trigger hyper-inflation, have been delayed for years by Soviet politicians terrified of the popular backlash they would trigger, according to the top Soviet official responsible.

Yet he is convinced that the process can still be carried out by administered price rises controlled by the central government, and is strenuously opposed to any rapid price liberalisation.

Mr Anatoly Komin, first dep*uty chairman of Goskomtsen*, the Soviet State Price Committee, yesterday *spelt out* the thinking of the central government on the state price reform process, launched with a vengeance on New Year's Day with 1,500 wholesale price rises.

In an interview, he admitted straight away that there was still no agreement on how or when to implement the retail *price reform* which must inevitably follow. That still depends *on a battle for the ear of Presi*dent Mikhail Gorbachev him*self*, and *on a parallel struggle* to persuade all 15 union republics to agree.

Mr Komin revealed that every month that the retail price reform is delayed will cost between Rbs8bn and Rbs10bn in price subsidies from an already bankrupt exchequer.

> **MR VYTAUTAS LANDSBERGIS, Lithuania's president, said *yesterday* his government had taken precautions against Soviet military seizure of key buildings. He also appealed for greater western support for the Soviet Baltic republics, writes Karen Fossli in Oslo.**
>
> ***Mr Landsbergis was speaking* in Olso the day after Soviet troops took over the Communist party printing works in Riga, capital of *neighbouring Latvia. The plant* had been controlled until then by the pro-independence republican government. *He* compared Moscow to a *boa constrictor* which had a stranglehold on the three Baltic republics and said that western political backing was their best chance of winning independence after being annexed by the Soviet Union 50 years ago.**
>
> **Mr Landsbergis said his government had increased the defence of Riga's press centre and other buildings but that Lithuania did not have the power to protect itself solely by its armed forces. There had been sqirmishes this week between Soviet troops and Lithuanian guards in Vilnius, the capital. "There are provocations all the time, slowly growing *worse*," he said.**

He also made it known that *the State Price Committee* proposals are exactly the same as *those first drawn up two years* ago, ignoring the entire subsequent debate on more rapid and radical measures to switch to a market economy.

"The mass of the population is always against any price rise," he said. "Many of our politicians have started using this theme for their own political ambitions." Western economists had also not helped the process, by suggesting that "*price reform* would destroy perestroika."

Radical economists like Professor Nikolai Petrakov, personal economic adviser to President Gorbachev, have argued that simply setting a whole range of vastly increased prices will do nothing to move the Soviet economy towards a market system. Instead, it would start an inflationary spiral at a ferocious pace.

The radicals have argued for a severe credit squeeze to cut *the explosion of money supply*, followed by rapid price liberalisation, while *freezing* the prices of some 150 essential items to protect the poorest section of the population.

Mr Komin said that such a plan would itself be a recipe for hyper-inflation, insisting that a sharp controlled rise in retail prices – such as 70 per cent on cars, televisions and refrigerators – would actually force people to stop hoarding, stabilise the market, and then allow prices to be liberalised.

Deciding on the strategy for price reform was central to the economic agreement currently being negotiated by Mr Gorbachev with the 15 union republics, he said. That is supposed to be finalised by January 10.

Without such an agreement, he declared that a "price war" between the republics was *inevitable*.

"It is going on already in certain spheres, for example in the Baltic republics," he added. "In central *Asia they want to* set independent prices for cotton. The immediate reaction would be that Russia, which has the largest textile industry, would raise the prices of its manufactured products sold back to the Asian republics. You can see that it rapidly *becomes a vicious circle*.

"God save us from such a *thing happening. But some*times we are on the verge of it."

He said that the government's planned price reforms had to be accompanied by compensation for wages, pensions and other allowances. That could be 100 per cent compensation for food price rises, and for products such as children's clothes, but only partial compensation for more expensive products like consumer durables.

He flatly denied that the inflation process was already out of control in the Soviet Union, as many independent economists believe, or that the shadow economy now accounted for as much as 40 per cent of economic activity.

"That is a gross exaggeration," he said. "The shadow economy is no more than 5 to 7 per cent."

Avoiding rampant inflation depended primarily on controlling wages. "If we control *wages harshly, keeping pay* rises to the growth of productivity, we can have *normal* inflation of 3, 4 or 5 per cent. Then indexation of prices and wages is possible."

Hundreds more Albanians flee

A GREEK Orthodox priest (left) *distributes clothing* to Albanian refugees in the border town of Filiates. Hundreds of Albanians were continuing to cross into Greece yesterday despite talks between Greek and Albanian officials aimed at stopping the exodus, AP reports from Athens.

Greek officials said that 564 refugees arrived early yesterday. They joined more than 5,000 who have braved freezing *weather* and treacherous mountain passes during the past week *to escape their com*munist homeland.

***Greek officials have* called for an end to the exodus and say *they hope the mostly eth*nic Greek refugees will be able to return to Albania.**

Mr Constantine Mitsotakis, the Greek prime minister, will seek an amnesty for refugees who wish to return when he visits Albania on January 13.

Move west by private company in Soviet Union

By Christopher Bobinski in Warsaw

THE first known step westwards by a private company in the Soviet Union has been *taken* by Metronom, a Minsk-based enterprise, which *has bought out Construction*, a small western-owned company near Siedlce, Poland.

The move is the work of Mr Sergei L. Brukker, 39, from Novosibirsk, who started Metronom as a co-operative in August 1988 in a basement in Minsk, the capital of Belorussia, on a private Rbs100,000 loan.

On January 1 Mr Brukker, who has the air of a retired boxer, transformed Metronom, now employing 3,500 people, *into a private joint* stock company. It has branches in Latvia *and in the Siberian cities of* Tomsk, Novosibirsk and Irkutsk, as well as several subsidiaries in Minsk.

The group started in the building industry but has since diversified into computers, transport, electronic measuring equipment and advertising.

Metronom is also an important shareholder in Micobank, *which was set up* in April 1989 as the first commercial bank in Minsk. It is *owned* by six co-operative companies and 11 state *sector enterprises* and *has* a share capital of Rbs28m.

Metronom's plans in Poland, where it will have the opportunity to earn hard currency, include assembling television sets imported from the Latina company in Taiwan and trading with a South African group, ICT 2,000.

The Polish affiliate has bought a 15,000-tonne ship in the Soviet Union to save on freight costs.

According to Mr Leszek Kuczynski, *Metronom's manager* in Warsaw, the company hopes to start up two affiliates within 12 months, one in Indonesia processing fruit for the *Soviet* market and another in Canada leasing giant Bialaz trucks produced in Minsk.

Metronom's Polish affiliate at present employs 11 people and hopes for a trading turnover this year of $200m (£103.6m).

KGB man: 700 spies are still in Germany

A Soviet KGB officer who spied for Britain before escaping to the west in 1985 said yesterday that the Kremlin still had about 700 intelligence agents in Germany, Reuter reports from Berlin.

Mr Oleg Gordievsky told the Berliner Zeitung newspaper that the KGB was less effective than western spy services but still successful.

Mr Gordievsky, who recently published a detailed history of the KGB, said the main centres for Soviet agents were Bonn, Cologne, Munich, Hamburg and both halves of once-divided Berlin.

Realities of free market begin to dawn on Czechoslovaks

Little in the country's past has prepared it for the sort of economic hardships ahead, writes **Anthony Robinson**

THE CRISIS of authority in Moscow is being followed with foreboding in Prague where the New Year marked the start of a free market economic package.

Ironically, its fate in the short term hinges on continuing supplies of Soviet oil and a reasonable level of trade with the rapidly disintegrating Comecon bloc. Higher exports to the west are not enough to offset the loss of the east German market, Soviet oil cuts and the flight from Comecon trading generally.

Until now Czechs and Slovaks have been relatively unscathed by the internal dislocations which have led to high inflation, rising unemployment and declining living standards in neighbouring Hungary, and especially in Poland which embarked on its rapid transition to a market economy a year ago.

Czechoslovakia also remains far better off than Romania and Bulgaria whose *structural* weaknesses have been exposed by the collapse of the Communist system. Indeed, the solid inter-war housing estates and *well-built factories* and infrastructure reflect the country's intrinsic strengths as historically the region's most developed industrial economy.

Key factors, too, are its low foreign debt and the tight fiscal and monetary control maintained by Mr Vaclav Klaus, the federal finance minister since the fall of the Communist regime over a year ago.

What really underpins the somewhat deceptive tranquillity, however, is the relative slowness with which Czechoslovakia has moved so far to dismantle the overwhelmingly state-owned economic structure inherited from the intensely conservative Communist regime. Now the pace is hotting up.

On New Year's day the Czechoslovak koruna was effectively devalued by 14.25 per cent to around 28 to the dollar following a 50 per cent devaluation in October. The currency was also made internally convertible and most foreign trade restrictions were lifted in line with promises made to the International Monetary Fund. These external measures were accompanied by *widespread* price deregulation on all but essential food and other items.

Next month a "small privatisation" plan designed to convert more than 100,000 shops, service stations and other small businesses to private ownership over this year is due to come into effect.

The government has also drawn up tax measures designed to keep wage and salary growth well below an inflation rate which some economists believe could go as high as 30 per cent this year.

Mr Klaus , who last year consolidated his dominance of economic policy by becoming leader of Civic Forum, which was catapulted into power in November 1989, will only admit that inflation "will reach double digits this year". He strongly rejects suggestions that the federal authorities are following the Polish example, and deliberately using inflation to mop up excess purchasing power.

"Inflation is an evil under any circumstances," he said. "We intend to continue with *tight fiscal and mone*tary policies which will ensure another budget surplus of around 1 per cent of GDP in 1991. Prices will rise into double digits because, by freeing prices and cutting subsidies, we are moving from repressed inflation to open inflation. This year's higher inflation is a result of greater transparency, not a greater inflationary dynamic."

Even so, the net result of devaluation, price liberalisation, widespread privatisation, a further sharp drop in Comecon trade, higher oil prices and wage controls will be a further 5 per cent drop in GDP this year "and possibly more", according to Mr Klaus. Last year, GDP fell by around 3.5 per cent, he added. Unemployment is expected to rise from about 30,000 at present to 400,000 or more by the end of the year.

Little in the country's past has prepared it for the sort of economic hardships ahead. Relatively unscathed by the war, Czechoslovakia also enjoyed comparatively high living standards as a "reward" *for enforced political passivity after* the Soviet invasion of 1968.

*Moreover, the free local govern*ment elections, in which the Communist party won nearly 14 *per cent* of the vote, revealed that the country's *social democratic traditions* remain strong; and that the trade unions and "left wing" groups have considerable doubts about the free market policies advocated by Mr Klaus and his followers.

Sitting at his desk piled high with Christmas cards from supporters urging him to "stick to his guns", Mr Klaus rejects the image of "arrogance and anti-social indifference" to the plight of the disadvantaged.

Every week in a widely-read column of the Civic Forum newspaper, he tries to explain the economic realities. These include the need for a period of "creative destruction" to sweep away the old polluting, wealth-destroying, structures of the past and "create a new social contract based on individual responsibility, not the *state*."

Meanwhile, Czechoslovakia's *industrial traditions, geographical* proximity to the rich markets of the European *Community and commit*ment to a market system have already attracted the first large strategic investments. The most important is Volkswagen's $6.45bn deal with Skoda.

Although these omens look good, the tensions between Czechs and Slovaks do not. Over the *past six* months, there has been a political struggle between the Czech and Slovak parts of this federal country. This led President Vaclav Havel to seek emergency powers to head off a conflict which at one stage threatened national unity and risked scaring off further foreign investment.

Passions cooled before the crucial budget *was* agreed at *the end of the* year. The budget committed the Czech lands, Slovakia and *the fed*eral government to tight budgetary controls and *no recourse to the cen*tre for inflationary extras.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

AMERICAN NEWS

Top US official accused of 'Japanese bashing'

By Nancy Dunne in Washington

MATSUSHITA Electric Industrial's purchase of MCA, the US entertainments group, has sparked new controversy over Japanese investment in the US and charges of coercion and "Japanese bashing" against a Bush Administration cabinet secretary.

In the latest bout of a battle bound to inflame anti-Japanese sentiment in the US, Matsushita's high-powered US representatives have accused Mr Manuel Lujan, the US interior secretary, of "trying to intimidate and coerce" Matsushita into donating tourist facilities in the Yosemite National Park to the US government.

The tourist facilities, owned by Yosemite Park and Curry, an MCA subsidiary, came under Matsushita control when the $6.6bn (£3.4bn) acquisition was finalised on December 29. Former Senator Howard Baker and Mr Robert Strauss, former chairman of the Democrat party, said the Matsushita-MCA merger negotiations included a proposal to sell the facilities to a US buyer within 12 months.

Meanwhile, the company's assets would be placed in escrow and its net income donated to the National Park Foundation. They said this plan seemed acceptable to the interior officials in late November. But by mid-December, when it was submitted for formal approval, there had been a change.

The interior secretary said he changed his mind when he read the escrow agreement and it gave the department only 30 days to approve the sale.

Senator Baker and Mr Strauss accuse Mr Lujan of trying to "frighten the public into believing an American national treasure will be under the control of a foreign corporation" to get control of the facilities.

"I want to own those buildings," the secretary acknowledged on TV yesterday. "Right now they own them...They had to get my permission to transfer ownership of the concession contract. They didn't get my permission. They're in breach of contract."

Brazil privatisation countdown begins

By Christina Lamb in Rio de Janeiro

BRAZIL'S much-delayed privatisation programme will finally get under way in March with the sale of four state companies, which the government estimates are worth at least $3bn (£1.55bn).

Mr Eduardo Modiano, who heads the privatisation programme, said after a meeting with President Fernando Collor de Mello that he hoped to raise between $6bn and $7bn this year through 10 state sell-offs.

The first four companies to be privatised are Usiminas and Companhia Siderurgica de Tubarao, steel mills which have generated considerable foreign interest, Usimec, a petrochemicals company, and Mafersa, which deals in public transport. The latter two have been scheduled for privatisation since 1987 but have been losing money.

When President Collor took office in March he pledged to raise at least $7bn in 1990 through privatisations. However, the programme has been beset by legal and technical difficulties, and an attempt to raise $5bn by forcing banks and pension funds to buy privatisation certificates met massive opposition – it eventually raised only $420m.

Mr Modiano justified the delays by saying the Privatisation Commission had been working "with care and without haste". But the target for the end of 1992 remains $18bn, to be raised through the sale of 20 companies. The proceeds will be used to reduce government internal and external debt. But with Brazil entering its deepest recession for a decade there is little cash available domestically.

Mr Modiano said last month that he hoped people would convert cruzados frozen in a draconian assets squeeze in March into privatisation certificates. This would help the government solve the problem of how to pay back the blocked money due to be released in September.

The government is to launch a campaign to win support for the idea. But the move is expected to be unpopular.

● President Collor has recalled Congress for an emergency session, in a further attempt to pass a law establishing free wage negotiations.

Brazil has had index-linked wages for 30 years but the Collor administration considers this a key cause of continuing high inflation. Last year's inflation rate was 1,800 per cent – the highest in Brazilian history. The government has been trying to end indexation since June but has been repeatedly defeated in Congress and the Supreme Court.

Silent majority holds key to Guatemala poll

Tim Coone examines the prospects for Sunday's run-off presidential ballot

LIKE hosts of an expensive but mediocre party, the two leading candidates in November's inconclusive presidential elections in Guatemala must ponder two important questions. Who didn't turn up and why?

Mr Jorge Serrano and Mr Jorge Carpio, the two centre-right candidates who face a run-off ballot this Sunday, were each supported by only 10 per cent of the 3.2m registered voters in the first round.

Women are thought to have constituted less than a third of voters. Overall abstention was 43 per cent and in some rural areas it was higher.

Fundamental issues such as army and agrarian reform seem to have been ignored in these elections. The veto power of the armed forces, which attempted two coups against the outgoing president Mr Vinicio Cerezo Arévalo, overshadows the future president.

The issue is further complicated by Guatemala having become a large drugs producer and transhipment point in Central America. A protective umbrella provided by corrupt police and army officials hinder reform efforts, local politicians admit.

Other, legitimate, groups also look to the armed forces for support. Father Andres Giron, a Catholic priest who took to the campaign trail for the Christian Democrat party (DCG) in poor Indian communities, is accompanied by four heavily armed guards. "There are a lot of landowners who would like to see me dead" he said.

He is the leader of a score of DCG deputies in the 116-seat Congress, a platform from which he plans to lobby for agrarian reform.

The scale of rural poverty can be gauged from the fact that some 500,000 Indians from the Altiplano highlands now work as casual labourers on the coffee, sugar, banana and cotton plantations of the Pacific coastal plain and hills. Earnings they make there supplement the meagre output they scratch from their subsistence plots in the hills. From these people come guerrilla recruits.

Both Mr Carpio and Mr Serrano promise to continue peace talks with the guerrillas and recognise the need to clean up the armed forces and police if they are elected in the second ballot.

Mr Carpio, however, offers little to attract the Indian vote. "Agrarian reform is an idea of the past. We have to look forward," he said this week.

Political horse-trading around such issues will proliferate as both candidates seek support from other parties in Sunday's voting. Supporters of the DCG will lean towards Mr Serrano. Unlike Mr Carpio, Mr Serrano is likely to need the DCG's rural infrastructure, which his party lacks.

Mr Serrano is respected by both right and left as a principled negotiator. He has good contacts with the URNG guerrillas as well as ex-general Efrain Rios Montt, a right-wing moralist whose party won almost as many votes as Mr Serrano and Mr Carpio in the ballot for Congress.

Mr Serrano is perhaps the only candidate who is capable of brokering a lasting peace agreement between Guatemala's political extremes and of holding together a coalition in the Congress – a necessity as no party holds an absolute majority.

Latest opinion polls give Mr Serrano a firm lead over Mr Carpio. Faced with probable defeat at a second ballot, Mr Carpio's only hope will be to try to mobilise the silent majority who did not vote in November.

Canadian retailers ease impact of new tax

AN unexpectedly steep slide in Canadian business activity appears to be dampening the inflationary impact of the new 7 per cent goods and services tax (GST) which took effect on January 1, writes Bernard Simon in Toronto.

Informal surveys suggest many retailers are absorbing the sweeping value-added tax in an attempt to generate sales.

One typical poster in a Toronto clothing store read: "No GST today – We're paying it for you."

Businesses are also passing on savings generated by the elimination of the more narrowly based 13.5 per cent manufacturers' sales tax. As a result, prices of many manufactured items – including motor vehicles, clothing and electronic goods – have fallen modestly.

The Department of Finance estimates the GST will lift the consumer price index by 1.25 percentage points.

Mr Paul Darby, director of forecasting at the Conference Board of Canada, said he was sticking to earlier projections of a 1.6 point jump in prices, but that intensifying competition had lessened the risk of the forecast being too low.

Pledge over Rhode Island credit unions

US FEDERAL regulators are to insure 22 credit unions in Rhode Island, out of 33 which applied for federal insurance coverage, Reuters reports from Washington.

The National Credit Union Administration (NCUA) said in a statement that the remaining 11 institutions were not able to be insured.

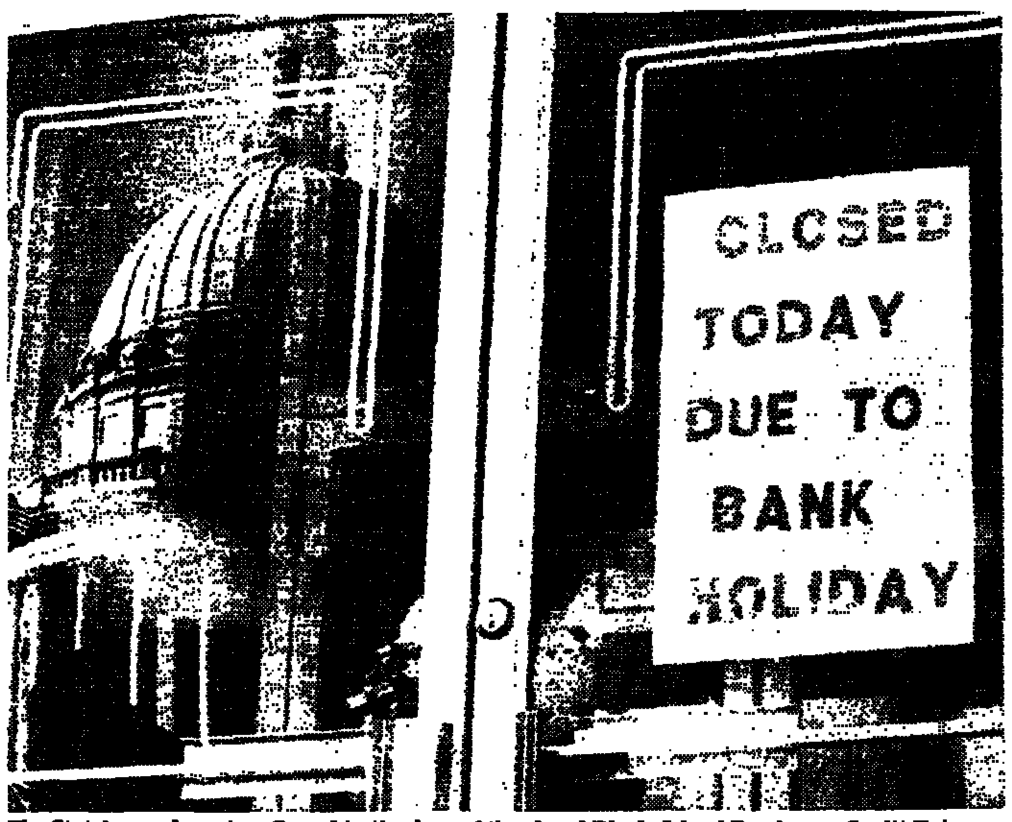
"These credit unions were found to hold a high proportion of commercial, real estate and other loans which are non-performing or are poorly underwritten," the group said.

The credit unions had applied for federal insurance as a private insurance fund guaranteeing deposits was on the verge of collapse due to an earlier bank failure.

On Tuesday Mr Bruce Sundlun, Rhode Island governor, closed 35 credit unions, seven loan and investment companies and three banks. He said they could not reopen unless they secured federal deposit insurance.

The NCUA said the 22 credit unions would be insured as soon they had signed necessary agreements and made deposit insurance payments to the NCUA insurance fund. "Seven may complete all requirements this week," it said.

Among the credit unions which the NCUA is not prepared to insure, some "have extremely high delinquency and in some cases solvency is in question," the agency's statement said. The 22 credit unions approved have assets of $381m (£197.4m).



The Statehouse dome is reflected in the door of the closed Rhode Island Employees Credit Union

The 45 financial institutions closed by the governor were insured by the Rhode Island Share and Deposit Insurance Corp (Risdic), a state-chartered private corporation.

The Risdic fund guaranteed 300,000 deposits totalling $1.7bn at the institutions.

Five banks closed by Mr Sundlun have applied to the Federal Deposit Insurance Corp (FDIC) for federal insurance.

A FDIC spokesman said the agency had not yet determined whether they qualified for insurance, but expected a decision soon.

El Salvador rebels shoot down US helicopter

LEFTIST Salvadorean rebels say they did not realise a military helicopter they shot down on Wednesday belonged to the US, Reuter reports from San Salvador. Three American military advisers on board were killed.

The Defence Department in Washington said the three men were killed when their UH-1H transport helicopter was shot down by small-arms fire while returning from San Salvador to Soto Cano airbase.

It went down about five miles north of Lolotique, a village 75 miles east of the capital, the Pentagon said.

The clandestine Salvadorean rebel Radio Venceremos said late on Wednesday that guerrilla forces had shot down a military helicopter and discovered afterwards that its crew members were Americans.

"They were in a war zone, our units did not distinguish [if] it was a war plane overflying a war zone and in this context the helicopter was brought down," the radio said.

The bodies of the men, assigned to the fourth battalion of the 228th Aviation Regiment, were recovered by Salvadorean forces and taken to San Salvador, the Pentagon said.

Britain expels Iraqis after 'public threats'

By Ralph Atkins, David Buchan, Jimmy Burns, and Neil Buckley

BRITAIN yesterday expelled more than 70 Iraqis, including eight embassy staff in London, after what the government described as "public threats" by Iraq linked to possible Gulf hostilities.

The Foreign Office refused to elaborate but it is thought to reflect some concern within Europe of the threat of possible terrorist attacks outside the Gulf region.

A UK maritime safety expert also warned that Iraqi sympathisers could infiltrate and endanger oil and gas rigs in the North Sea.

The claim by a former head of the UK Navy's fisheries protection squadron followed reports that Norway is boosting security installation because of fears of Iraqi terrorism.

In Brussels last night the UK decision to expel the Iraqis was viewed as being in line with diplomatic moves against Iraq agreed by EC ministers in September, rather than a hardline decision taken unilaterally in London which might be aimed at pre-empting today's ministerial meeting on the Gulf in Luxembourg.

However, there was no immediate indication that the move would be followed by other diplomatic expulsions.

The expulsion of seven diplomats and a security guard from the embassy in London has cut the total staff to 15 diplomats and 17 non-diplomats. They have been given 24 hours to leave.

A further 67 Iraqi nationals, mostly students, are being deported.

The expulsion order was the largest involving Iraqis within Europe since September when Britain went further than most other EC countries, except France, by ordering out of the country 31 Iraqis.

In London, first secretary Mr Salih Faraj Mohammad was among those whose expulsion was ordered. He said last night: "I and my colleagues didn't do anything. We followed diplomatic procedure and the law."

A tit-for-tat retaliation by Iraq cannot be ruled out although the Foreign Office said it saw no justification for such a move. Britain is diplomatically less exposed than in September when the hostages issue remained unresolved, although the move may disappoint some western diplomats who are seeking to avert a Gulf war.

On Tuesday the British government announced that its embassy staff was being reduced to six from 16, almost certainly to minimise the number of diplomats at risk from a possible war.

It is estimated that there are now about 1,000 Iraqi students and a total Iraqi population of 5,000 or 6,000 in Britain. Those involved in yesterday's order are believed to include students attached to technical and university colleges throughout Britain. Their studies are being financed by the Iraqi government.

● The Foreign Office yesterday advised dependents of Britons living in Sudan to leave "well before" the January 15 deadline set by the UN for the withdrawal of Iraq from Kuwait.

Gulf bank scales down international operations

By Our Financial Staff

GULF International Bank, the Bahrain-based international bank badly hit by Iraq's invasion of Kuwait, has begun a sizeable retrenchment.

Senior officials at the bank, quoted yesterday by Reuters from Bahrain, said contracts of all international staff at the Bahrain headquarters had been terminated.

The bank would close representative offices in Tokyo and Frankfurt and convert its Singapore branch into a representative office.

Operations in the bank's London and New York branches would also be scaled down, the officials were quoted as saying.

About 56 employees in Bahrain, including senior Arab, British and other European executives, were affected by the move, the officials added. Since the Iraqi invasion of Kuwait on August 2 last year, many of the staff were re-appointed on temporary contracts ranging from three months to one year.

"The bank is carrying out a strategic review of manpower requirements in the light of business needs and has effected some staff terminations in Bahrain," a GIB statement said.

"The review is continuing in our overseas offices. The bank has been looking at this for some time and the Gulf crisis has increased the focus on our staff needs in the future," it said. The bank confirmed redundancies, but said only a small number of its total 469 staff worldwide had been affected.

GIB is jointly owned by the governments of Iraq and the six states of the Gulf Co-operation Council, including Kuwait, Saudi Arabia, Bahrain, Oman, Qatar and the United Arab Emirates.

The bank was a prominent lender to Iraq throughout the 1980s, lead-managing a number of large syndicated loans and lending significant sums in bilateral arrangements.

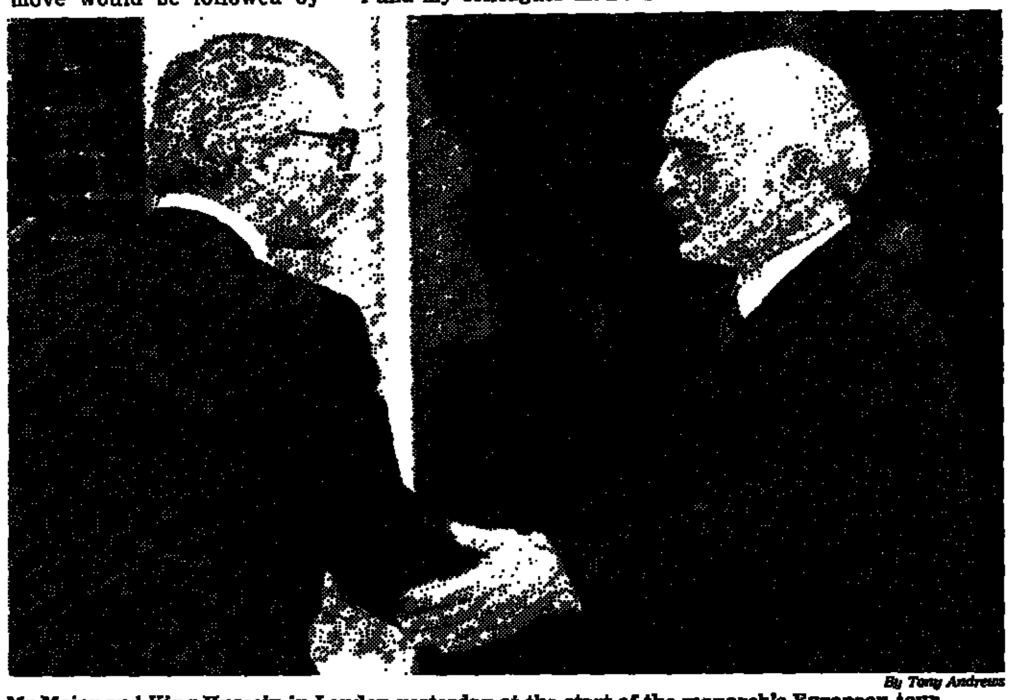
Iraq announced it would stop servicing all its foreign debt following the international financial sanctions imposed on it in August after the invasion.

This blow to GIB, which followed a $692.5m loss in 1989 caused by provisions for its large lending to Third World countries, was coupled with a withdrawal of deposits and loss of confidence, suffered by all Gulf banks in the aftermath of the invasion.

GIB responded to the crisis immediately by selling off Treasury bills and other readily traded assets to rebuild liquidity.

Sales from its Third World debt portfolio at significant discounts to face value followed, including one $500m block. The bank has continued to sell loan assets closer to face value.

Bankers said the cutback at GIB was almost inevitable as the crisis has dragged on.



By Tony Andrews

Mr Major and King Hussein in London yesterday at the start of the monarch's European tour

Unity marks Hussein's UK visit

By Ralph Atkins in London and Lamis Andoni in Amman

THE prospect of talks in Switzerland between the US and Iraq allowed Mr John Major, the prime minister, and King Hussein of Jordan to present a united front after a two-hour meeting in London yesterday.

As Mr Major prepares to leave this weekend for a Gulf tour he was able to join King Hussein in welcoming President Bush's initiative. The prime minister said it was a "useful development".

British officials made clear that any meeting in Switzerland would be of far greater significance than a European Community backed trip to Baghdad. As such it went someway towards easing anxieties that today's meeting in Luxembourg could be interpreted by Iraq as a sign of weakness among EC members.

The agreement between Mr Major and King Hussein came in spite of obvious Jordanian anxiety about a military conflict in the Gulf and the king's determination to play a role as mediator in the confrontation.

Downing Street officials said that to a large extent the discussions envisaged beforehand by both Britain and Jordan had been overtaken by the US announcement. King Hussein, who fears a Gulf war could spread to include Israel, is expected to visit other European capitals before returning to Jordan.

After his lunchtime meeting with Mr Major, the king welcomed as "positive news" the US initiative. "We hope it will lead to a peaceful resolution of this crisis," he said. Mr Major, who appeared confident of a Switzerland summit taking place, said his talks with the king had been "useful".

For Labour, Mr Gerald Kaufman, shadow foreign secretary, said it would be "extremely satisfactory" if a meeting took place between Mr James Baker, US secretary of state and Mr Tariq Aziz, Iraq's foreign minister. Mr Major's Gulf programme, starting on Sunday, includes Saudi Arabia, Oman and Egypt. A main objective is "morale boosting" visits to see British troops but he is also expected to see President Mubarak of Egypt in Cairo. Meetings with King Fahd of Saudi Arabia and the exiled Emir of Kuwait are also likely.

Germany is to send 18 of these Alpha jets to Turkey to deter Iraq from attacking the NATO nation. Nato granted a Turkish request that jet fighters from Germany, Italy and Belgium be sent close to the border of Turkey and Iraq

Misrata summit is sign of the times

By Tony Walker in Cairo

PRESIDENTS Mubarak of Egypt and Assad of Syria can scarcely have found themselves in more unusual surroundings, but their presence yesterday in a tent in the Libyan seaside resort of Misrata was a sign of the times in Arab politics.

They had gone to Libya at the request of Colonel Muammer Gadaffi for a "summit" to discuss the Gulf crisis as time slips away to the January 15 UN deadline for Iraq's withdrawal from Kuwait.

Few details emerged of what was discussed in Col Gadaffi's tent and later at a meeting in a hotel where the Arab "summiteers" were joined by General Omar al-Bashir, Sudan's ruler.

But the Libyan leader said before the talks he was optimistic of a peaceful resolution of the crisis.

The Misrata "summit", overshadowed by President George Bush's new offer of direct talks with Iraq, was part of renewed Arab efforts to persuade Baghdad to withdraw from Kuwait before it was too late.

Mr Mubarak, whose calls for a peaceful resolution of the crisis have become much more insistent in the past few days, told Egypt's Middle East news agency, Mena, soon after his arrival in Libya that he hoped "with all honesty" that Iraq would withdraw from Kuwait "to spare the world the devastation of war".

Gen Bashir, whose country appears to have shifted its position from support of Baghdad to a more neutral stance in recent weeks, said on his arrival that he hoped the "summit" would come up with a new initiative to end the conflict.

Col Gadaffi said the meeting, set up at only 24 hours' notice, would "discuss a joint view and what could happen in the Gulf in the coming days.

"We want to pool our efforts and unify our position to serve the future of the Arab nation," he declared.

The positions of the four Misrata "summiteers" were hardly unified, however, reflecting differences in the Arab world that have been exposed since August 2.

While Egypt and Syria have sent troops to the Saudi desert to participate in the US-led alliance, Libya has condemned the presence of foreign forces in the region.

● In Cairo, Egypt's semi-official press assailed Iraq over its abuse of Mr Mubarak following his warnings earlier this week of the dangers of the region sliding into the "merciless hell" of war.

The mass-circulation daily Al-Akbar described President Saddam as a man "who has lost his mind". Iraq had denounced Mr Mubarak as a "coward" and a stooge of the US.

Belgians prefer talks to war, survey says

By David Buchan in Brussels

BARELY one Belgian in three is still ready to see force used to evict Iraq from Kuwait, according to an opinion poll published yesterday amid increasing signs that the Belgian government is getting cold feet about any military involvement in the Gulf.

The telephone survey, published in the daily Le Soir newspaper, showed that only 36 per cent of Belgians still favour using force, compared to 60 per cent in September and 65 per cent in August.

The poll of 500 people said 87 per cent thought western countries should negotiate with Saddam Hussein, the Iraqi president, to avoid war.

Almost half thought western countries should make some concessions to Iraq if it meant avoiding war. The poll showed the weakest support for military action in the Dutch-speaking north of the country.

It was pressure from the Flemish socialists (SP) in the ruling coalition that scotched British attempts to borrow or buy a large quantity of artillery ammunition before Christmas, even though the Belgian defence ministry, headed by a French-speaking socialist, backed the UK request.

The SP also appeared to be behind the cautious government statement this week approving dispatch of 18 Belgian Mirages, along with Italian and German jets, to Turkey.

Mr Wilfried Martens, the Belgian prime minister, said on Wednesday his country would not take an active role in any Gulf conflict.

NEWS IN BRIEF

Gulf states say Iraq is losing $2.5bn a month

Iraq is losing $2.5bn every month as a result of the international blockade, according to a study released yesterday by the six-nation Gulf Co-operation Council, AP-DJ reports from Jeddah.

The GCC, which includes Kuwait, Saudi Arabia, Qatar, Bahrain, Oman and the United Arab Emirates, says Iraq is now producing 600,000 b/d of oil for domestic use, compared to 3.5m b/d mainly for export before the invasion of Kuwait.

The report adds that five important construction projects aimed at improving Iraq's oil industry have been put on hold.

Genscher: 'war is avoidable'

Mr Hans-Dietrich Genscher, the German foreign minister who is leading efforts within the EC for a diplomatic solution to the Gulf crisis, declared yesterday that war was "avoidable", David Marsh writes from Bonn.

In talks in Bonn with Mr Sid Ahmed Ghozali, the Algerian foreign minister, Mr Genscher welcomed the move by President Bush to keep open the door to contacts with Baghdad.

There has been a notable increase in anti-war statements from the opposition Social Democrats as well as church and trade union leaders in recent days, coinciding with the decision to send 18 German fighter aircraft to Turkey.

Islamic states urge meeting

Pakistan, Iran and Turkey yesterday appealed to the secretary general of the Organisation of Islamic Countries to call an emergency meeting to settle the Gulf crisis, Farhan Bokhari writes from Islamabad.

The appeal came at the end of a day-long foreign ministers' meeting in Islamabad. Earlier, Mr Ali Akbar Velayati, the Iranian foreign minister, said that a peaceful settlement of the crisis was still possible. Pakistan's foreign secretary Mr Sheharyar M. Khan said that although 15 January is an important date, it is not the last date as it is possible that even a meeting after that could be fruitful.

The foreign ministers also agreed that regional security is a responsibility for countries of the region to undertake, and placed it as an important principle in a formal declaration.

Earlier, Dr Ali Akbar Velayati, the Iranian foreign minister, said that a peaceful settlement of the crisis was still possible.

France denies reports of peace plan from Saddam

By Ian Davidson in Paris

THE French government has received no indication, direct or indirect, that Mr Saddam Hussein, the Iraqi president, would be prepared to withdraw from Kuwait, senior officials said yesterday.

The officials denied reports in the French press to the effect that the French embassy in Baghdad had received information that President Saddam Hussein had a "peace plan", and was ready to withdraw from Kuwait, or from part of it.

"That is precisely the problem," said a senior French diplomat.

"We see absolutely no sign that Saddam Hussein is prepared to apply the resolutions of the United Nations Security Council."

A spokesman for the Elysée Palace denied the report in the satirical weekly, Le Canard Enchaîné, that President Mitterrand had received a message from Baghdad indicating a new Iraqi peace policy.

"We have no message from Saddam Hussein, and no contact," the official said.

The Elysée was adamant that there could be no question of France engaging in any separate negotiations with Iraq, and insisted again yesterday that Mr Michel Vauzelle, the socialist parliamentarian who is currently in Baghdad, had been given no mandate to negotiate and no message to deliver.

Moreover, the government also insisted that there can be no question of compromising on the implementation of the UN resolutions.

In particular, officials stress that a partial Iraqi withdrawal from Kuwait was not acceptable.

However, the Elysée confirmed that President George Bush had telephoned President Mitterrand yesterday to inform him of the American intention to try to arrange a meeting with the Iraqi foreign minister in Switzerland in the period January 7-9.

If such a meeting could be arranged, an Elysée official suggested, it would facilitate a parallel meeting between a representative of the European Community and the Iraqi government.

US says Angolan peace accord possible to end 15-year war

WASHINGTON'S top Africa expert said yesterday that a provisional peace accord to end 15 years of war could be signed by the Angolan government and rebels at talks due later this month in Portugal, Reuter reports from Lisbon.

The accord, including a ceasefire and political principles, would come into effect simultaneously with legal changes that would introduce a multi-party system and allow recognition of Unita (National Union for the Total Independence of Angola) rebels, he said.

"It is quite feasible for everything, ceasefire and basic principles, to be agreed upon and signed, say, at the next round of talks," Mr Herman Cohen, the assistant secretary of state for Africa, said.

"But they would not in effect be applied until everything else is ready, such as the change in the constitution and official recognition of Unita and other parties." Mr Cohen was speaking to journalists in Lisbon in a satellite interview from Washington organised by the US government.

The formula would break a deadlock in five rounds of peace talks hosted by former colonial power Portugal since April between Unita and the MPLA (Popular Movement for the Liberation of Angola) government. A sixth round is planned for later this month and diplomats say it could be the last.

The two sides agree on establishing a multi-party system but disagree on timing. Unita has until now refused to sign a truce until the MPLA grants it official recognition and calls elections soon.

Moscow and Washington, which support Luanda and Unita respectively, have been pushing their allies to end the war. Mr Cohen said the two Angolan foes were close to final agreement, with differences remaining only on the timetable for multi-party elections and the role of foreign governments in helping merge the two enemy armies before a vote.

"I believe they can bridge the gap," he said.

He said it was important that foreign observers should monitor a ceasefire and subsequent elections, saying this had helped the transition to democracy in Namibia, Nicaragua and Zimbabwe.

Both Angolan sides agree that United Nations observers should participate in monitoring, he said, adding that he hoped a UN technician would attend the next round of negotiations.

Mr Cohen said that as well as international assistance, a firm timetable for elections was crucial to ensure the success of a ceasefire after years of hatred and distrust. It should be possible to organise an election within two years, he said.

The US, which currently does not have diplomatic relations with Angola, hopes to establish a liaison office in Luanda after a ceasefire. It would be upgraded to diplomatic mission upon free elections, he said.

Mr Cohen said Moscow and Washington would cease military assistance after a truce but not before as it would favour the MPLA, which last year received $500m of aid, or 10 times as much as Unita.

At a six-day conference which ended on Wednesday, Unita leaders called on Washington and Moscow to play a more direct role at the negotiations in Portugal, which they have been attending as observers.

Papua New Guinea lifts its blockade of rebel island

By Kevin Brown in Sydney

PAPUA New Guinea yesterday announced the unconditional resumption of government medical and communications services with the copper-rich island of Bougainville, where armed rebels have declared independence.

The government cut services and blockaded the island in May in an attempt to isolate the Bougainville Revolutionary Army (BRA) and its supporters after government security forces withdrew from the island.

Since then, the government has faced increasing criticism from Australian-based medical and human rights groups, some of which claimed the blockade had caused widespread preventable deaths among civilians.

Amnesty International, the UK-based human rights group, also accused government forces of widespread abuses of human rights during a long period of clashes with the rebels which preceded the government withdrawal.

The resumption of services came as a surprise, since the government had repeatedly insisted that conditions on the island were the responsibility of the rebels.

Mr Rabbie Namaliu, prime minister, said the government's action was intended to "alleviate all misunderstandings" about the blockade, which had been necessary to prevent arms smuggling.

Mr Namaliu said he hoped the resumption of services would assist efforts to negotiate with the rebels, who held inconclusive talks with the government late last year on board the New Zealand naval vessel, Endeavour. The secessionist breakaway on the island has stopped production at its copper mine, formerly operated by Bougainville Copper, a subsidiary of CRA, the Australian mining house.

CRA has denied rebel claims it supplied weapons to the Papua New Guinea forces, and has warned that reopening the mine will be difficult even if stability is restored.

Fresh moves to reach foreigners in Somalia

By Julian Ozanne in Nairobi

EUROPEAN nations stepped up efforts to evacuate their foreign nationals trapped in the Somali capital of Mogadishu yesterday, moving aircraft and ships into the region as heavy fighting continued between rebels and government troops for a sixth day running.

President Mohamed Siad Barre, still believed to be pinned down in an underground bunker near the airport, agreed to a sea and air evacuation of the estimated 450-500 foreigners in the city.

But a communiqué issued yesterday in Rome by the rebel United Somali Congress, which controls large parts of the city, said it would only accept an evacuation under the supervision of the United Nations and International Red Cross.

The USC also accused several governments of taking actions which "could be interpreted as an intervention on behalf of a regime already in agony".

France yesterday diverted a warship carrying two helicopters from the Gulf and a logistics ship with two additional helicopters from the Red Sea port of Djibouti to lie off the Somali coast to prepare an emergency evacuation of foreigners.

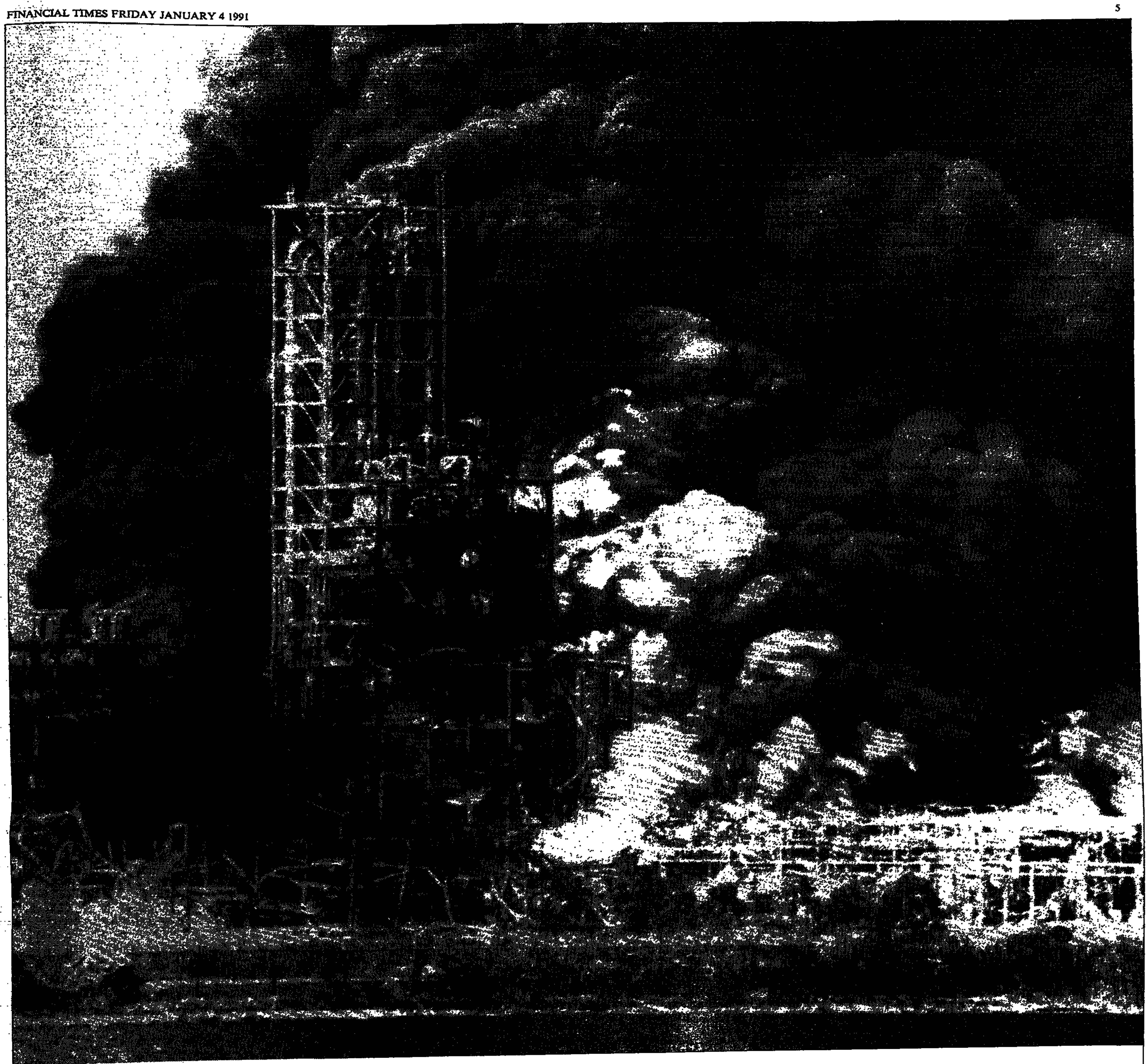
Four Italian aircraft, including two C130 transporters, also landed in Nairobi yesterday and a German air force Boeing 707 was expected late last night.

But without a ceasefire it remained unclear how an evacuation could be organised.

A truce called by President Barre on Wednesday evening went unheeded by the rebels yesterday and gun shots and artillery fire was reported throughout the day.

The USC, one of the five rebel groups fighting to overthrow Mr Barre, also warned yesterday that any unauthorised evacuation operation could "put innocent lives in danger" and it renewed its uncompromising stand towards any form of negotiation with Mr Barre's crumbling regime.

Reports continued to reach Nairobi yesterday of severe food, water and power shortages in Mogadishu and of people trying to flee the city by foot for the relative security of the countryside.



EC bank rules take UK closer to 1992

By David Lascelles, Banking Editor

NEW EC banking rules were implemented by the UK yesterday, marking further progress towards the single market in financial services.

The Bank of England adopted two EC Directives which govern banks' capital and the size of their balance sheets.

They affect all UK banks as well as building societies, though separate notices will be issued by the Building Societies Commission.

The Solvency Ratio Directive takes effect for all EC members this year. The Directive lays down a formula for calculating how large a balance sheet a bank can run, based on the riskiness of its assets and the size of its capital. It sets a minimum ratio of capital to assets of eight per cent.

The Own Funds Directive says how a bank's capital is calculated.

This second directive does not have to be adopted until January 1 1993, but the Bank's notices yesterday reflected its provisions.

Together, the new rules will create a new capital regime for UK banks. Because they are closely in line with the Basle Agreement on bank capital which has applied to UK banks for the last two years, they will not bring about major changes. But they will affect banks in two ways.

First, there will be tighter rules on the inclusion of unpublished profits in capital, which will concern mainly merchant banks which make transfers to inner reserves.

Second, mortgage-backed securities will receive a 100 per cent risk weighting even though mortgage loans will only be weighted at 50 per cent.

This is expected to affect trading in the mortgage securities market.

However the Bank of England says it will continue to press for a lower weighting on mortgage securities.

Impact on mortgage securities market, Page 18
Background on UK banks and bad debt, Page 15

State-owned power generating company sees savings of £250m

National Power considers importing coal to cut bills

By David Thomas, Resources Editor

NATIONAL POWER, the UK electricity generating company, will save about £250m a year in fuel bills once it is allowed to buy its supplies on the open market – opening the way for increased imports – according to its chief executive.

This would knock about 10 per cent off the the annual fuel bill of National Power, the biggest of the two state owned generating companies due to be sold next month, and would put great pressure on British Coal to cut its own costs.

National Power's fuel, which accounts for about two thirds of its total costs, is almost all supplied by British Coal under contracts due to run out in 1993.

Mr John Baker, National Power's chief executive, is preparing a new fuel purchasing strategy which he intends to put to British Coal this summer.

Instead of the single coal purchase contract which National Power was forced to sign with British Coal by the government, Mr Baker intends to have a range of different contracts with British Coal and foreign coal producers.

The contracts would give National Power "diversified supply and diversified contract lengths," Mr Baker said in an interview.

National Power would expect British Coal to price its coal on a pit-by-pit basis, which would make the costs of the nationalised coal producer more transparent. British Coal at present quotes a single national price.

Mr Baker acknowledged that this would increase the pressure on high cost pits. "It will force them (British Coal) to shape their business to the market," he said.

National Power, which last year burned 47.2m tonnes of coal, is considering investing in three new coal import facilities on Teesside, Humberside and at Milford Haven.

These new facilities could boost National Power's coal import capacity to about 20m tonnes a year and cut its demand from British Coal by almost a half.

The three import facilities would require investment of about £100m, although National Power expects to form joint ventures with other companies to spread the investment costs.

Mr Baker envisages that National Power will have a basket of different coal contracts by the mid-1990s along the following lines. It would contract for about half its supplies three-five years ahead; about 75 per cent would be contracted for two years ahead; and about 90 per cent contracted for one year ahead, with some of the remainder purchased on the spot market.

Stressing that these estimates were approximate, Mr Baker suggested this strategy could save about £250m a year by the middle of the decade.

Savings would be possible immediately after the coal contract ends in 1993. "I would hope to have made significant progress towards a cheaper total fuel bill within three to four years," Mr Baker said.

INSTITUTE OF BRITISH GEOGRAPHERS

Survey finds migration to south of England has come to an end

By Andrew Jack

THE SHIFT of people from the north to the south of England has ceased, despite the perceived economic depression of the north, according to a group of population geographers.

More people actually moved to the north than the south between June 1988 and June 1989. There was a net gain of 7,000 during the period, compared with an historically high loss southwards of 67,000 in 1985-86.

The data comes from NHS patient re-registrations, obtained by Dr John Stillwell, Dr Philip Rees and Dr Peter Boden from Leeds University, in Yorkshire, in the north.

Their research also showed a decline in the movement of people out of metropolitan regions, a trend which characterised most of the 1980s.

But they warned that these patterns would not continue during the recessionary conditions likely in the early 1990s. "The movements happened in the context of economic trends and house prices," said Dr Rees.

The delay before the recession began to affect Scotland accounted for much of the decline in migration southwards, he explained.

Now the northern economy was declining again, the pattern would be reversed. Following the same group of people in 1971 and 1981 Dr Tony Fielding, showed that the trends conceal many variations.

Professionals and managers are more than four times more likely to migrate than blue collar workers, for example, while the unemployed only move at the average rate for the population as a whole.

The academics also called on the government to review its current population projection models, which they said were out of date and did not reflect these new migration patterns.

● EC policies to extend arable farming are doomed to failure, according to a survey conducted by two geographers at the University of East Anglia.

Only 3 per cent of East Anglian farmers are willing to reduce their production at the level of compensation recommended by the EC, they said.

BRITAIN IN BRIEF

UK heads for record TV surplus

Britain is heading for its biggest ever trade surplus in colour television sets, despite the fact that there are no longer any UK-owned TV manufacturers.

In the first 10 months of 1990, colour television exports by foreign-owned, UK-based manufacturers exceeded imports by £151m according to the British Radio and Electronic Equipment Manufacturers' Association (Brema).

Last year's surplus is the result of a flood of investment in the UK by foreign television manufacturers, mostly Japanese, since the mid 1970s. Ferguson, the last substantial UK-owned manufacturer of TV sets, was bought by Thomson of France in 1987.

Walters urges devaluation

Sir Alan Walters, a former economic adviser to Mrs Margaret Thatcher, urged the government to seek a devaluation of the pound in the European exchange rate mechanism to stave off a deep recession.

Sir Alan, a long-standing critic of Britain's ERM entry, said on BBC Radio that without a devaluation the government might have to increase base rates from 14 per cent to up to 18 per cent to keep the pound out of the lower limits in the mechanism.

Nissan UK chief meets lawyers

Mr Octav Botnar, chairman and managing director of Nissan UK (NUK), and other senior executives met the company's lawyers, Herbert Smith, in London to consider taking legal action against Nissan Motor of Japan.

Nissan Motor announced last week that it was to terminate NUK's lucrative concession as the sole importer and distributor of Nissan vehicles in the UK.

Nissan UK, which recently celebrated its 21st year as the Nissan importer/distributor in the UK, was taken by surprise by last week's announcement.

Bridging the water: the latest bridge over the River Thames nears completion at Dartford, east of London. The bridge, due to open this year, is designed to relieve pressure on the Dartford Tunnel beneath the river which has become a notorious bottleneck on the M25 London orbital mototrway.

Democrats seek farming reform

The opposition Liberal Democrat party has proposed reforming the European Common Agricultural Policy by moving away from present price support systems and towards market prices. Direct support would be given to promote environmental and social objectives.

Policewoman's case lodged

Britain's most senior policewoman has lodged a formal complaint against her senior officer, the chief constable of Merseyside, in north-west England.

Miss Alison Halford, the assistant chief constable of Merseyside has lodged a formal complaint alleging neglect of duty of care by Mr James Sharples, the chief constable.

Miss Halford is also about to launch an action at an industrial tribunal alleging her career has been hindered by sexual discrimination. She was suspended from duty last month for alleged discreditable conduct, neglect of duty and falsehood following newspaper reports about her.

She has asked the Police Complaints Authority to investigate Mr Sharples' refusal to hold an inquiry within Merseyside police into the source of the newspaper allegations.

Peace prize for Brooke

Mr Peter Brooke, Northern Ireland Secretary, has been chosen to receive a peace prize in the Irish Republic because his efforts have brought new hope to the province.

He has been chosen for the award, made annually by the Tipperary Peace Convention, for his continuing bid to achieve a new political dialogue in Ulster.

Mr Brooke's initiative had "brought fresh hope to the people of Northern Ireland", the convention said.

Reserves fall by $225m

Britain's gold and foreign currency reserves fell in December by an underlying rate of $225m, slightly above market expectations, according to government figures.

The underlying figure, which is net of borrowings and payments, is a general indicator of the level of intervention by the Bank of England in foreign currency markets in supporting the value of the pound.

Road haulier collapses

John Dee Group, one of Britain's biggest road hauliers, went into receivership yesterday. The company, based in Ferryhill, County Durham, has about 800 employees and an annual turnover exceeding £35m. It invited its bankers to call in the receivers after running into a cashflow crisis. John Dee's failure is of particular concern because transport is regarded as a barometer of business activity in the wider economy.

Tax office ads

The Inland Revenue, which is responsible for tax collection in Britain, has launched a £7m publicity campaign to tell people how to avoid paying tax. The campaign – which involves the Revenue's first ever television advertisments – is pitched at the 15m people, mainly housewives, children and pensioners, who do not pay income tax but receive interest on savings accounts.

FT LAW REPORTS

Digest of Michaelmas term

R v Secretary of State for Transport, ex parte Factor-Tame Ltd and Others (FT, October 16)

THE applicants successfully challenged the legality of certain provisions of the Merchant Shipping Act 1988 and the regulations thereunder, concerning the registration of British fishing vessels, on the grounds that they contravened European law. While the preliminary ruling was pending, the Divisional Court allowed their registration to continue but the Court of Appeal held that there was no jurisdiction in English law to grant a temporary injunction against the Crown. On a further appeal to the House of Lords, which sought guidance on whether in such a case European law overrode English law, the ECJ ruled that interim relief could be granted in an appropriate case. After weighing up the evidence, their Lordships held that the balance of convenience came down on the side of the applicants who would suffer obvious and immediate damage if they were not granted the interim relief that they sought.

Compagnie Commerciale Sucres et Denrees v Czarnikow Ltd (FT, October 17)

UNDER the Rules of the Refined Sugar Association, rule 14 provided (1) that that in f.o.b. stowed contracts "the seller shall have the sugar ready to be delivered to the buyer at any time within the contract period", and (2) that the buyers "shall be entitled to call for delivery of the sugar between the first and last working day of the delivery period". In mid-May the buyers gave notice to the sellers to lift full contract quantity, estimating arrival time on 29/31 May 1986. The vessel presented for loading on May 29, but despite the buyers' repeated calls, the sellers did not have the sugar ready for delivery. The arbitrators found for the buyers. The House of Lords, upholding their decision, by a majority stated that, correctly interpreted, rule 14(1) could be restated: "The seller shall have the sugar called forward available for loading without delay...as soon as the vessel is ready to load the cargo..." Moreover the obligation imposed by rule 14(1) was a condition of the contract to have the goods available for loading within the contract period.

In re Norman Holding Company Ltd (FT, October 19)

ON FACTS agreed for the purpose of the present preliminary issue only, (a) H was a secured creditor of the company for £400,000; (b) H was an unsecured creditor of the company for an unspecified sum; and (c) the company was a creditor of H for an unspecified sum. The issue was whether H's secured debt could be reduced by set-off of the unspecified sum it owed the company. The Insolvency Rules gave no clear answer to the question whether or not set-off operated against a secured debt. Rule 4.90 affected debts proved in the liquidation and did not affect debts that were elected not to be proved therein. Thus, Mervyn Davies held, the position was that a creditor with two debts, one secured and the other unsecured, was obliged to submit to set-off in respect of his unsecured debt, but was not obliged to submit in respect of his second debt because for that debt he was not proving in the liquidation.

Hyundai Merchant Marine Company Ltd v *Gesuri* Chartering Company Ltd (FT, October 23)

BY LINE 14 of the charterparty owners agreed to let "about minimum 10 months, maximum 12 months times charter, exact duration in charterers' option". By line 15 charterers had a "further option to complete last voyage within below mentioned trading limits". On May 6 1988 the charterers concluded a voyage subcharter, which if performed, the vessel would have been redelivered to owners no earlier than about July 19 1988. On May 17 the owners called for voyage orders which would enable the vessel to be redelivered within the charter period, or alternatively for payment of hire at an enhanced rate for the duration of the voyage outside the charter period. The charterers accepted neither condition and the vessel was withdrawn by the owners. The charterers now sought to reinstate the arbitrators' decision that they were entitled to give those orders. Upholding their decision against Mr Justice Saville's reversal, the Court of Appeal stated that in line 15 of the charterparty, in the absence of any contrary indication, "last voyage" was read as meaning "last voyage under the charterparty". Line 15 gave the charterers the right, additional to the right in line 14, to require the owners to complete a legitimate last voyage free of liability in damages in respect of the period between final terminal date and redelivery.

Hallen Company and Another v Brabantia (UK) Ltd (FT, October 24)

HALLEN were patentees and manufacturers of corkscrews marketed in the UK and elsewhere under the name "Screwpull". The issues in proceedings by Hallen against Brabantia before Mr Justice Aldous were infringement and the validity of the patent. Hallen's alleged invention comprised the application of a friction-reducing material to the helix of a self-puller. Brabantia's contention was upheld that the invention was not patentable as it was "obvious" to a person skilled in the art having regard to any matter which forms part of the state of the art..." (section 3, Patents Act 1977). Dismissing Hallen's appeal, the Court of Appeal stated that the court had to assume the mantle of the normally skilled but unimaginative addressee in the art at the priority date and to impute him what was, at that date, common general knowledge in the art in question (see Winsurfing International [1985] RPC 59, 73, 74). The judge held that on the evidence it was obvious that once the idea of coating a corkscrew with PTFE was known to improve penetration by one type of corkscrew, it was self-evident that it would improve penetration by any corkscrew.

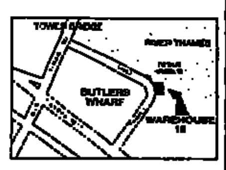
Armour and Another v Thyssen Edelstahlwerke AG (FT, October 26)

THYSSEN carried on business in West Germany as manufacturer and supplier of steel while Carron's business at Falkirk was manufacturer in general engineering products. The contracts of sale between them were subject to Thyssen's General Conditions, clause 1.3 (1) providing: "All goods delivered by us remain our property...until all debts owed to us including any balances existing...are settled..." Receivers of Carron's assets were appointed under a floating charge in favour of two banks at which time, steel strip had been delivered under the contracts but the invoice price had not been paid. The Second Division found in favour of the receivers, as had the Lord Ordinary, that clause 1.3(1) constitute d an attempt, ineffective under the law of Scotland, to create a right of security over corporeal moveables without transfer of possession; the property in the steel strip thus had passed to Carron on delivery. Allowing Thyssen's appeal, the House of Lords held that, Carron could only retain an ultimate right to the goods if the contract of sale gave it the property in the goods, but it specifically provided that it was not to pass until all debts had been paid. There were no grounds for refusing to give effect to the parties' clear intention.

Morgan Crucible Co v Hill Samuel Bank Ltd and Others (FT, October 30)

Morgan Crucible had been refused leave to amend their pleadings in a negligence claim against the financial advisers, the auditors and the chairman and directors of a target company, for financial statements and material put out in circulars and recommendation documents which were allegedly seriously misleading. The amendments intended to restrict the claim to representations made after the bid and during the takeover battle in the light of the House of Lords decision in Caparo Industries v Dickman [1990] 2 WLR 358 which concerned the duty of care to a potential takeover bidder. Allowing the appeal, the Court of Appeal held that it was at least arguable that the present case could be distinguishable from Caparo. On the assumed facts the directors, in making the representations, were aware that Morgan Crucible would and did rely on them for the purpose of deciding whether to make an increased bid, and intended that they should. In those circumstances, subject to questions of justice and reasonableness, it was plainly arguable that there was a relationship of proximity between the directors and Morgan Crucible, sufficient to give rise to a duty of care.

Avivia Golden



MANAGEMENT

Hazel Duffy reports on the factors that influence companies when they are planning inward investments in the European Community

Sophistication enters the search for ideal locations

The Californian-based Intel Corporation took just three months between making its decision to set up its first European manufacturing base and choosing the location. The clinching factor in plumping for the Republic of Ireland was the small group of intelligent 18-year-olds which the Industrial Development Authority produced from schools in a town near Dublin which was being considered by Intel.

"They probably had no idea how influential they were," Keith Chapple, Intel's director of corporate marketing, told a seminar recently. He provided a rare insight into the way an international company goes about selecting the country to receive its investment.

Intel has plants in Singapore and Puerto Rico, which it describes as "very efficient. But we were late in deciding to go into Europe". The plan was to set up a $30m plant where the computers would be made, followed by a $300m silicon wafer fabrication.

A 16-strong taskforce was set up, which included production managers, engineers, and the two prospective plant managers. They spent three weeks visiting France, Germany, Spain, Ireland and the UK. They wanted to know about labour relations, demographics, skills, site availability, the environment, and incentives – "not the be-all and end-all, but they can tip the balance," says Chapple.

Needless to say, costs were vital in the decision. And they did not want anything about the search to appear in the press.

The choice ultimately lay between Scotland, Wales and Ireland. Other things being equal, the factors tipping in Ireland's favour, as well as those 18-year-olds, were not particularly "scientific – it's a neutral kind of country, we felt they are pioneers, like us".

Also earlier this year, Swiss-based Schindler Lifts was looking to expand. It was going for something much smaller, a £500,000 software research and development facility. Setting up a completely new facility in an area which had the skills on tap was a logical step. It chose Livingston, in Scotland.

Within hours of declaring its interest, "we got a customised brochure from Locate-in-Scotland (the inward investment arm of the Scottish Development Agency and the Scottish Office), a telephone conference was arranged, and there was an immediate offer of grants," Gordon Stuart, the manager in charge of research and development (UK), told the seminar.

A two-day visit to universities in the area, and other software organisations, confirmed for Schindler that the infrastructure was right. But, Stuart admitted, it also helped that he is a Scot.

Competition between the regions of the European Community to attract foreign investment is intensifying in the run-up to 1992. More and more foreign investment is in the form of acquisitions and mergers – particularly among countries of the European Community. In this case location plays a less critical role than the presence of a suitable company with which to merge.

The "greenfield" operation is one where companies theoretically enjoy the greatest flexibility, whether it is manufacturing, distribution, European headquarters, or research and development.

Companies are increasingly sophisticated in the way that they go about choosing a location. Big corporations may well have a person designated to keep a watchful eye on the various regions, even if they are not considering a move.

In contrast to the examples above, Japanese companies will often take many months, even years, to consider all the pros and cons of a place. They can make some surprising requests. When it was looking for its first European assembly site Toyota wanted to know about the likelihood of earthquakes in the Derbyshire area, and the levels of violence, measured by local crime statistics.

In the past, a lot of companies went to places they now judge to have been wrong. In private, many US companies in Europe say that if they had the opportunity to choose all over again, they would not have gone to the place from whence they are now operating.

A new study conducted by Ernst & Young's management consultancy wing, and published by Corporate Location Europe, tries to sort out some of the facts from the glossy publicity which regions and countries resort to in bidding for the inward investor.

The study ranks the top quartile (16) EC regions in terms of what they have to offer, according to what sort of project the investor wants. For instance, for a company planning to set up a research and development centre, the ranking has been worked out on the basis of: skill levels, especially relating to university education and high technology skills; reasonable international transport and telecommunications links; the possible availability of financial incentives and a location relatively central to its main markets.

(These factors were selected because they were cited most often by clients of the consultants' location service. So there is a qualitative as well as quantitative dimension to the selection process.)

The regions of Brussels and Flanders in Belgium, Hamburg, and Hessen (in the middle of Germany), Ile de France (which includes Paris), Ireland, Luxembourg, north and west Netherlands, and the south-east in the UK, all score well on the critical factors.

A big energy user will want to know where costs are lowest. Regional differences within countries are mostly slight, but between two regions across a border it can be a very different picture. Electricity costs in North Brabant, a sub-region in the south east of the Netherlands, for instance, are 40 to 50 per cent lower than in German regions across the border.

For some companies, these considerations could pale if the corporate tax structure of the region which scores highly on certain factors is not favourable.

Using a model from the Institute of Fiscal Studies, the study tries to put the total tax system into the context of national rankings – for instance, the treatment of foreign source income accruing in the form of a dividend, as well as the tax rate. The company will need to make its assessment in the light of various corporate tax directives emanating from Brussels.

For companies where labour is all-important, the regions of southern Europe and Ireland are the most attractive. They also offer the biggest financial incentives to incoming companies, which is of considerable importance still to companies making relocation decisions.

In the south east, east Midlands, and south west of the UK, West Berlin, Hessen, Baden Wurttemberg and Hamburg in Germany, Luxembourg, and Lombardy in Italy, labour shortages threaten. Taking labour costs into account as well, the German regions, Luxembourg and the Ile de France are least attractive.

These drawbacks are not in themselves enough to outweigh the attractions of such areas. Access to the core markets of the EC – which Germany provides, for instance – may well be considered by a non-EC company to be more important than having to bear high labour costs. Growing congestion in leading European cities, however, and high property costs, does militate against locating a new operation in such places.

Meanwhile, the high-tech growth areas in Europe tend to follow the sun: Catalonia, the south of France, Lombardy, and southern Germany, which succeed in attracting the top footloose technologists as well as the mobile investor.

For a company which wanted to be part of the new economic growth regions of Europe, however, parts of Portugal and Spain, and Ireland, which have achieved the highest growth rates in the last few years, might well beckon.

The increasing competitiveness of European business makes it more important than ever for companies to get their location policy right. But it is also a very difficult decision to get right. Jean Baillod, director of corporate development Europe at Hewlett-Packard, a leading US computer and communications group, spelt out recently the locational implications of the growing threat to US computer makers in Europe from the Japanese, and the single European market.

The company's policy has long been to "invest close to our customers – it allows us to understand their needs better," he told a recent seminar of the European Research and Industrial Development Organisation. The company has 500 offices in over 100 countries.

But Baillod admitted that "fragmentation of investment is a headache". At the same time, the prospect of Europe without frontiers poses the possibility that it be treated as one trading bloc.

Companies have different priorities; this is reflected in the way they approach the location question. Another US computer group, Apple, is looking for an operations centre from which to cover southern Europe. It already manufactures in Ireland, and has its European head office in Paris.

"We evaluate the regional development authorities," says Hugh McCann, manager of operations strategy, Europe: "Are they pro-business, do they have a coherent development strategy, are they selective in the companies that they take, are they customer oriented or bureaucratic? .. Companies like us love people who can clear them through the red tape – excessive paperwork is very costly."

The relations between state politicians and the central government are important, because Apple wants to locate in a region in southern Europe which is going somewhere, not one that stagnates in political struggle. It is not a factor which can be quantified as such, but, like those young Irish people, it could be the one that clinches the deal.

Improving skills tops the list

Simon Holberton reports on the motivation of Cranfield's MBA graduates

People who want to acquire a masters of business administration qualification have two options: give up their current occupation and enroll in a full-time course of usually a year's duration, or enter a part-time two-year course.

Those who can afford to be without an income for a year or so, are not particularly attached to their current employer and see an MBA as a vehicle to a brighter future tend to choose the first option.

As a forthcoming study* from the Cranfield School of Management shows, those who choose the part-time route tend to be more stable and attached to their current employer. As students, these MBA graduates were less interested in changing their circumstances than in personal development.

Cranfield's executive MBA will be 10 years old in 1991. To coincide with that anniversary it surveyed its graduates from the first nine years to assess their motivation for taking an MBA degree, their career development after graduation and their views on the future.

Of the 390 who have graduated over the past nine years, 42 per cent replied to the survey. The majority graduated in the past 5 years; 60 per cent were aged between 31 and 38 years; 14 per cent are female.

The survey asked its respondents to rank the relevance of nine criteria to their decision to study for an MBA. At the top of the list came acquiring new skills and improving management skills. An increase in income came fifth, while a desire to change job function or changing career came seventh and eighth respectively.

The conclusion that these MBA students were attending Cranfield for their own personal development is further reinforced in responses concerning the student's employer. The survey found that 79 per cent of respondents stated that what their employers wanted them to do was not very relevant to their decision to study for an MBA.

The low priority attaching to the employer is all the more interesting given the finding that employers paid the fees of 60.5 per cent of respondents and assisted another 29 per cent in their study at Cranfield. Given this financial interest on the part of employers the survey shows that they had a limited interest in where their executives studied; only 3.8 per cent of respondents listed the employer as the main reason why they attended Cranfield.

Employers appeared successful in retaining employees studying at Cranfield; 72 per cent remained with their employer. The survey suggests that only 28 per cent of respondents were still with their sponsoring employer and, of the rest, 34 per cent had changed jobs once and 26 per cent twice. The overwhelming reason for job change was "more challenge" with "financial reward" coming second. But this indicates a greater rate of change of company than may have occurred. Professor Leo Murray, the head of Cranfield, says that analysis of the questionnaires suggested that around 50 per cent of graduates were still with their sponsoring company.

So where was the value in doing an MBA? Respondents listed six benefits, of which two "hard" skills – long term planning and objective analysis – came first. What are the skills needs of the future? People management; international management (especially languages); ethics and technology. These seem to be mostly the "soft" management skills, but their citation shows that, if nothing else, Cranfield's graduates are in step with the mood of the 1990s.

Ten Years of Executive MBAs, Cranfield School of Management, Cranfield, Bedford MK43 0AL.

ACQUIRED
- *Long-term planning*
- *Objective analysis*
- *Learning from peers*
- *Personal development*
- *Man management skills*
- *Understanding integrated, cross-functional management*

REQUIRED
- *People management skills*
- *International management*
- *Ethics/political management*
- *Technology management*

TECHNOLOGY

David Fishlock argues that Britain needs to exploit more vigorously its medical engineering skills

An industry in need of surgery

The first man-made hip-joints squeaked. A famous British orthopaedic surgeon cured the squeak by introducing a material that is intrinsically slippery, called polytetrafluoroethylene (PTFE). But it wore out too quickly. He replaced PTFE with ultra-high molecular weight polyethylene and his invention has not been bettered for nearly 30 years.

British inventors have been responsible for some of the great innovations of medical engineering, including the Nobel prize-winning X-ray brain scanner; and the Charnley hip joint, which British surgeons implant at the rate of more than 40,000 a year. Worldwide, the total is more than 300,000 a year. One day robots programmed by surgeons may perform this and many other routine operations.

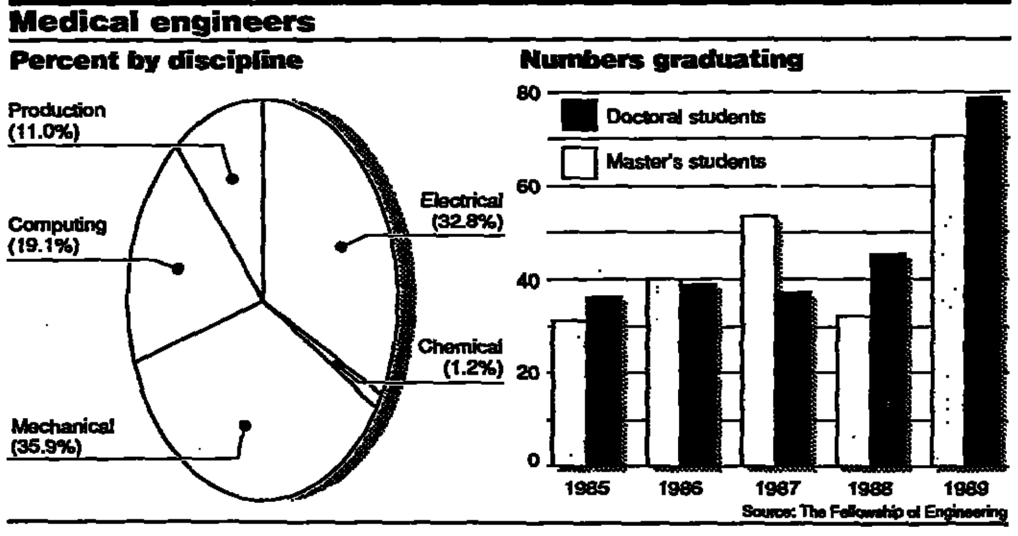
Yet despite its creativity Britain commands only about 4 per cent of the world market for medical engineering products. In 1985 it earned less than £1bn of a world market worth £19bn, and its best-selling line was the technology of wound dressings. But in sales, hip joints come third, after contact lenses.

At the other end of the spectrum, magnetic resonance imaging (MRI), a complex computer-based system, although invented in Britain is neither manufactured there nor enjoys a significant UK market. Los Angeles alone has nearly three times as many of these £1m body scanners as the whole of Britain. Japan has 4,000 compared with Britain's 25.

On present evidence, such technical developments as the next generation of diagnostic imaging using positron emission tomography (PET) and perhaps a miniature superconducting cyclotron to make the short-lived radio-isotopes it requires, seem no less likely to be exploited by overseas firms. Amerlite, a world-beating concept for medical laboratory instrumentation invented by Amersham International, is being sold to Kodak because the US group has the resources to continue developing a technology which threatened to bankrupt Amersham.

Medical engineering is not easy to define. Would you, for example, include a technology that makes life easier for people fearful of computer keyboards, by making it possible for computers to read handwriting or sketching as Plessey (now GEC) scientists claim they have done? They hope to apply it to personal computers.

Medical engineers



Source: The Fellowship of Engineering

Medical engineering is defined more narrowly by the Science and Engineering Research Council as the "application of engineering principles to the provision of healthcare". It is an aspect of advanced technology with none of the "social handicaps" sometimes cited to explain British industry's failures in nuclear and military technology – even biotechnology.

It has a wholly benign image finds the Fellowship of Engineering, the club of Britain's top professional engineers. They cite the example of how the physics of lasers may succeed where traditional scalpels have failed to remedy such distressing social problems as disfiguring birthmarks and unwanted tattoos.

In 1987, the Fellowship of Engineering asked Duncan Dowson, who heads mechanical engineering at Leeds University, to undertake an inquiry into medical engineering and its future needs for education and research. The Dowson study drew on earlier reports, notably one from the (then) Advisory Council for Applied Research and Development (Acard) in 1986, which highlighted the dominant influence of National Health Service purchasing in Britain, and recommended much more government support for R&D.

Early in 1987 the Fellowship of Engineering responded to the House of Lords select committee's inquiry into medical research priorities by suggesting that low investment and too small a home market were hampering British firms. That year the club devoted its annual soirée to medical engineering.

The Fellowship of Engineering has voiced such worries as the fragmented industrial base and the unco-ordinated nature of the research being done in universities. Career structure, pay and grading of clinical engineers within the Health Service also cause concern.

The Dowson report* does nothing to allay such worries. Rather, it puts flesh on suspicions. For example, it finds that Britain imports about 60 per cent of its medical engineering requirements, ranging from 45 per cent in the case of "disposables" such as wound dressings and syringes, to 80 per cent of electro-medical (particularly X-ray) equipment. The UK market grew by one-third between 1985-88, from about £680m to £900m, but this merely served to increase demand for imports.

The 1986 Acard report estimated there were about 1,000 companies engaged in medical devices in the UK, of which 79 per cent employed fewer than 20 people, and only 1 per cent employed more than 500.

Dowson provides from his own research an illustration of the complexity and inter-disciplinary nature of medical engineering, and the paramount importance of understanding the complete system even when trying to improve what seems to be a relatively simple component. Hip joints still wear out much faster than laboratory testing predicts. One reason is lubrication, which nature does differently from the engineer. This leads to the notion of trying to imitate the natural lubricating properties of cartilage.

The Dowson study surveyed 50 UK medical engineering companies, with turnovers that ranged from £100,000 to £85.4m, of which 18 said they had entered the market because of the opportunities it offered. It concludes that there are many small "niche market" manufacturers who have "difficulty achieving growth or an international presence".

Despite often daunting technical demands, the medical engineering industry employs few graduate engineers, a trivial 2.7 per cent of the staff of companies surveyed. Only one-third of these firms sponsored students, and only 38 per cent offered apprenticeships. Over the past five years a total of only 236 doctorates have been awarded by the nine British universities which cater for medical engineers.

As for reasons why Britain failed to offer a viable business base, 17 companies said the market was too small (the study failed to put a figure to NHS purchases of medical engineering); and eight criticised the way the NHS plays its role as dominant purchaser, for example for funding only small amounts of research and for favouring "conservative influences of the medical profession" in its choice of equipment to buy.

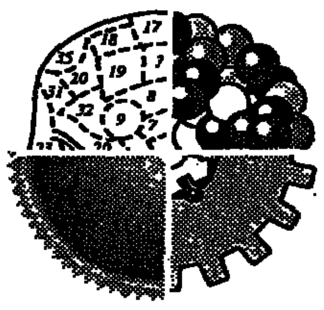
The Dowson report estimates that Britain is spending about £77m a year on research and development, of which companies making medical devices contribute some £60m. Another £9m comes from various government sources (including the Department of Health), and £1.2m from assorted medical research charities.

The report contrasts Britain's R&D investment with Japan's, where the government (MITI) has initiated three national programmes of basic research into biomaterials for which £343m have been allocated over 10 years. Dowson concludes that British R&D in this field is "probably inadequate to fuel the explosion of interest in the field".

The broad impression given by the Dowson report is of a technology in which Britain excels, underpinning an industry which fails to understand the complexity of trying to marry biology and engineering, in pursuit of a global market, and is under-resourced on almost every count.

Dowson believes that it should be possible for Britain to justify some priority for medical engineering "on the grounds of demonstrable relief of suffering or on economic grounds for a viable industry".

**Report of the working party on medical engineering. Available from The Fellowship of Engineering, 2 Little Smith St., London SW1P 3DL. £14 95.*



WORTH WATCHING

by Della Bradshaw

Pointing a finger at security

THE fear of computer crime has persuaded many companies to look at a variety of equipment to identify employees entering buildings – from magnetic cards to retina scanners. Now Toshiba has developed a prototype finger print verification unit which, it claims, is quick to use and has achieved an accuracy of 99.9 per cent.

The machine achieves such accuracy because it processes images of the entire bottom-side of the finger – not just the finger tip. (The finger-joint line pattern is the second most noticeable pattern found on human fingers.)

To use the system the employee places his or her finger over a lightbox. A camera in the box sends a black and white image of the finger to a signal-processing unit, which converts the density of each picture element into a numerical value. By adding up the numbers a wave pattern representing the finger's unique characteristics can be produced. This is then compared with patterns held in store, thereby identifying the person.

● AS high-tech office equipment gets smaller it becomes easier to steal, creating a growing need for high-tech security measures.

Team Electronic Asset Management, of London, has developed a system where a tiny battery-operated tag is placed in each piece of equipment. Once the tag comes within six feet of a wired door frame the tag sounds an alarm and activates a closed circuit television system to catch the thief.

Ink that can stand the heat

ONE of the big problems about ink jet printers is that the print can cause smudgy fingerprints in warm weather. To overcome the problem printer Maker Hewlett Packard and ICI Colours and Fine Chemicals have developed a smudge-resistant ink.

As the basis of the ink the two companies selected a black food dye commonly used in sweets such as wine gums. Then they set about altering the dye so that it was soluble in the ink well but insoluble on the paper.

The scientists discovered that computer print-out paper tended to be slightly acidic, so the companies redesigned the dye molecule to make it soluble in alkaline solutions but insoluble in acidic ones. As a result, when the ink is in contact with the paper the dye is quickly precipitated.

Blocking plastic's escape route

THE ubiquitous PVC plastic has one major drawback – it is made of a brittle polymeric substance that has to be mixed with plasticising agents to make it flexible. But over time these agents escape, leaving the plastic easily breakable.

To prevent this the Weizmann Institute of Science, in Rehovot, Israel, has developed a solution to prevent the escape of these agents. Plastic items can be dipped into the liquid solution which changes the surface of the PVC by triggering a cross-linking of the polymer molecules. This transforms the plastic surface into a tight net which blocks the escape of the plasticising agents.

The Institute believes the technique could mean materials now made from expensive substances could be replaced by cheaper plastic ones. In particular, oil pipelines and containers could be made of PVC for the first time – such solvents traditionally accelerate the escape of the plasticising agents.

Video recorders watch the clock

A GROWING number of professional interest groups, such as doctors, are sending television programmes overnight so that members of the group can record them on video. But this produces the same sort of problem as occurs when programming videos generally – if the programme starts late, the recorder chops off the end of the programme.

To help prevent this Ferroglen Research, of Croydon, has developed a paperback-sized box which plugs into the back of the video recorder and constantly examines the top line of the transmitted picture which contains information on the programme. The Videolink box can be instructed to sift out specific programmes, and turn the videorecorder on when the programme starts and off when it finishes – provided the broadcasters send the correct code.

Eventually the inventors believe the system could be used to enable domestic TV watchers to record the correct programmes, once the broadcasters decide to send the appropriate information. The Videolink box costs about £40.

Technology sold as a franchise

FRANCHISING is a business technique usually reserved for fast food chains, but now a technology transfer company is getting in on the act.

The Technology Broker, of Palo Alto, California, and London, is setting up 15 franchises around the world to bring together technology and companies that can use it. The ideas will be pooled and then each local franchisee will decide whether there is a client in their area to target the technology.

Calling in fancy phone cards

THE latest collectors' item in Japan is the phone card, and the prettier the better.

The latest one incorporates a holographic image of Kyoto's Kinkakuji Temple, developed by the UK company Light Impressions, of Leatherhead. The temple appears to spin round as the viewer looks at the card.

The cards are aimed more at the tourist than at the serious phone user. Although they have a phone value of Y500, they sell for Y1,600.

Contacts: Toshiba: Japan, 03 457 4511. Team: UK, 071 712 9505. ICI: UK, 071 834 4444. Weizmann Institute: Israel, 08 343512. Ferroglen Research: UK, 081 680 7722. Technology Broker: US, 415 324 3425; UK, 071 923 0339. Light Impressions: UK, 0372 386677.

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- Extensive range of stocks
- Experienced sales team

For further information please contact David Corney of Bob Young at. Cork Gully, 43 Temple Row, Birmingham B2 5JT Telephone 021 236 9966. Fax 021 200 4040. Telex 337892

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For further details contact John F Powell; or David R Wilton, the Joint Administrative Receivers or Andrew I Robinson at Cork Gully 43 Temple Row, Birmingham B2 5JT. Telephone: 021 236 9966. Fax: 021 200 4040.

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For further information please contact the Joint Administrative Receivers, N J Vooght and J M Iredale at the following address: Cork Gully, 9 Greyfriars Road, Reading, RG1 1JG. Tel: 0734 500336 Fax: 0734 607703.

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Tenders on prescribed forms are invited for export of 100,000 tonnes of Pakistan Long Grain Irri-6 Sindh White 15.20% Brokers rice of 1990-91 Crop in two lots each of 50,000 tonnes. The interested parties may quote their rates either for one lot or for both the lots.

2. Tenders will be received in the office of the Corporation upto 11.00 A.M. on THURSDAY JAN. 1991, and will be opened immediately thereafter, one representative of each tender may be present at the time of opening of tender.

3. Tender forms can be obtained from Manager (Cash) of the Corporation during office hours on payment of Rs. 100/- per form (Non-refundable). Conditional tenders and tenders for part quantities will not be considered. RECP reserves the right to accept or reject any or all tenders without assigning any reason.

LEGAL NOTICES

No. 0010083 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR JUSTICE MORRITT
IN THE MATTER OF CHEMICAL SECURITIES LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 17th December 1990 confirming the reduction of the capital of the above-named Company from £50,000,000 to £45,174,324 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of companies on 19th December 1990

DATED the 19th day of December 1990

Slaughter and May. (FWN/JMDE)
35 Basinghall Street,
London EC2V 5DB

Solicitors for the said Company.

No. 009900 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. JUSTICE MORRITT
IN THE MATTER of PWT WORLDWIDE LIMITED
- and -
IN THE MATTER of THE COMPANIES ACT 1985

NOTICE IS HEEBY GIVEN that the Order of the High Court of Justice Chancery Division dated 17th December 1990 confirming the reduction of the capital of the above-named Company from £28,500,000 to £1,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of companies on 19th December 1990.

DATED the 19th day of December 1990

Slaughter and May. (FWN/JMDE)
35 Basinghall Street,
London EC2V 5DB

Solicitors for the said Company

No. 0010082 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. JUSTICE MORRITT
IN THE MATTER OF CHEMICAL BANK INTERNATIONAL INVESTMENT HOLDINGS LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 17th December 1990 confirming the reduction of the capital of the above-named Company from £50,000,000 to £42,416,200 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 19th December 1990

DATED the 19th day of December 1990

Slaughter and May. (FWN/JMDE)
35 Basinghall Street,
London EC2V 5DB

Solicitors for the said Company.

No. 009899 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. JUSTICE MORRITT
IN THE MATTER of PWT PROJECTS LIMITED
- and -
IN THE MATTER of THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 17th December 1990 confirming the reduction of the capital of the above-named Company from £18,095,000 to £5,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of companies on 19th December 1990

DATED the 19th day of December 1990

Slaughter and May.(FWN/JMDE)
35 Basinghall Street,
London EC2V 5DB

Solicitors for the said Company

No 009935 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BALTICA INSURANCE COMPANY (U.K.) LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 10th December 1990 confirming the reduction of the Share Premium Account of the above named Company by the sum of £9,415,531 was registered by the Registrar of Companies on 20th December 1990. (Dated this 4th day of January 1991).

Ince & Co. Knollys House,
11 Byward Street,
London EC3R 5EN
Ref. NSBG/VAS/58/67

PERSONAL

THOMSON - KATAGIRI, The engagement is announced between Kate, eldest daughter of Mr and Mrs Gordon Turner Thomson of 8 Middleby St, Edinburgh, and Hironori, son of Mr & Mrs Katagiri of Sendai, Japan.

COMPANY NOTICES

YORKSHIRE INTERNATIONAL FINANCE B.V.

NOTICE IS HEREBY GIVEN that the Annual Report and Accounts for the period ended 30th September, 1990 are available from Yorkshire Bank PLC, 56-58 Cheapside, London, EC2P 2BA. The Annual Report and Accounts of Yorkshire Bank PLC may also be obtained from this address.

ISLE OF WIGHT

The FT proposes to publish this survey on March 21st 1991.
It will be of particular interest to the 54,000 businessmen involved in the decision making about Relocating Premises who are also regular FT readers. If you want to reach this important audience, call Clive Radford 0272 292565 or fax 0272 225974.

FT SURVEYS

هكذا من الأصل

ARTS

'Nutcracker' triumph for Birmingham Royal Ballet

BIRMINGHAM HIPPODROME

The latest entry in the seasonal *Nutcracker* stakes is Peter Wright's brand new production for the Birmingham Royal Ballet. It has the qualities needed for a winner – simplicity, charm, a sense of emotional warmth, stylish interpretations, and *superb design – and is plainly* going to become a happy part of Birmingham's Christmases for years to come. It aptly reflects, I think, the wonderful potential for the company's new regional existence, audiences and dancers becoming jointly identified with an ideal of a ballet troupe and its repertory. And how good to be able to recommend a *Nutcracker* that will delight children and their parents alike.

The style of the staging is very different from Wright's more "authentic" Covent Garden version. He has updated the action to the end *of the last* century, and provided a different thread on which to hang the story. Frau Stahlbaum is now a former ballerina (a role graciously taken on Wednesday by Margaret Barbieri), with Clara a teenage dance student dreaming of following in her mother's steps. Drosselmeyer becomes a conjuror invited to the children's party – and able to perform various cunning tricks – who serves as a tour-guide to the divertissements of the second act.

The real point of this *Nutcracker* lies in the abilities of Peter Wright and John Macfarlane, the designer, to enchant us, and they succeed most handsomely. The Stahlbaum house is welcoming, the costuming attractive – the women in bustles – and the proper theatrical magic arrives when, at midnight, the drawing-room assumes gigantic proportions as part of Clara's dream, and a cohort of unlovely rats emerge from the fireplace. Thence we proceed to a Kingdom of Snow which is an exquisite realm of frosted, snowy branches, and for the second act are taken to a mysterious palace whose towering columns still dwarf Clara.

It is all brought off with felicitous elegance. Macfarlane's designs are everywhere beautiful (the snow-scene a triumph); Wright's new dances are *happy (he sensibly retains the Ivanov* grand pas de deux), and in the case of the snow-flake and flower waltzes are imaginative in pattern and most fluent in craft.

The staging centres upon Clara. She is old enough to be able to dance seriously with the Nutcracker prince and to join in certain of the divertissements, and on Wednesday Sandra Madgwick brought a beguiling sensitivity both to dance and to playing, a girlish characteristion sustained without any sickliness, and the dancing touched with real joy. The ensemble playing was every*where excellent – eager, fresh – and* though I believe the pit and the pendulum are always preferable to the second act divertissements, there is the consoling prospect of the grand *pas de deux. With Miyako Yoshida* and Petter Jacobsson, it received the glossiest treatment. Yoshida was fast, light, dazzling; Jacobsson a prince in deportment and in dancing, and a figure of the right glamour to delight the young Clara in the brief but touching duet that precedes the snow-scene.

Chaikovsky sounded very well from the Royal Ballet Sinfonia under Anthony Twiner. *My one complaint* about the staging concerns two cruel alterations to the second act score, where a nasty cut and a brutish interpolation destroy musical sense. Something better by next season, please. In all other respects, Birmingham must be very happy with this *Nutcracker*, which is owed to the generous sponsorship of Powergen, while the season boasts the support of Midland Bank.

Clement Crisp

Green Fingers

KING'S HEAD THEATRE CLUB, ISLINGTON

This is not the Newcastle upon Tyne that you normally see on stage and screen. The lady barrister hopes that the court will finish early so that she can go and play squash in Carlisle. She is also shortly giving up the bar, having bought a farm in Tuscany where she hopes to be able to live in greater freedom than in England with her *friend – Julia.*

The male barrister is rather more northern conventional. He dislikes homosexuality, but even he fails to speak with a Geordie accent. No-one mentions St James's Park or the foot ball team that plays there; only the other park behind the ground. There is a line about the river: "When the mist rises off the Tyne, you can hear drowned men crying out." But the voices of the men crying out might just as well be Scottish as English.

Perhaps it takes a Devon man to see that. Michael Wilcox, the writer of *Green Fingers*, was born in Totnes, educated in London and went to Newcastle to teach. Totnes must be about the same distance from the English capital as is Newcastle. The novocastrian affinities are more with Glasgow and Edinburgh than with the English south east. If there has to be an Anglo-Scottish border, it should be the Tyne rather than the Tweed.

Green Fingers has other merits beyond being right about the social geography. It is in many ways a court room drama and makes many of the conventional jokes of the genre, like the judge intervening to say that he has never heard of some everyday term used in court. But the judge is not a joke figure: he does his best to administer justice. Similarly, the police sergeant messes up his evidence in court, as the police so often do. Yet Wilcox lets him off with a caution rather than mount an anti-police tirade. Very little about this play is crude.

*Green Fingers is about homo*sexuality – and fear. "Are there any gays in Newcastle?" somebody asks. Well yes, plenty. There's the headmaster – "Fred the Head" – and the man from the BBC for a start, though neither appears. Instead there is a mixture of working class youth from Scotland and what looks like new money in Northumberland. They frequent the gay bars, the richer brethren leaving their BMWs parked at a distance in order not to be spotted by the police.

The term green fingers applies as much to gardening as to filching. One of the offending youths wants to turn Newcastle into "a blaze of colour for 12 months of the year". He means the flowers and the plants rather than the bright lights. Being named a garden centre, however, as was Gateshead on the south side of the Tyne, obviously brings with it a measure of corruption. Big money moves in, some of it from Glasgow, which was also a garden centre. This is the sort of patronage well enough known in the north east.

The play is basically a comedy which deals sensitively with homosexual relationships. One scene towards the end introduces a degree of viciousness, blackmail and hard drugs that is uncalled for. The message that homosexuals still live in some fear is already there for all to see. The scene should probably be removed.

I should add a personal note. *Green Fingers* will appeal especially to anyone who knows the area well and can pick up the references to "growing oranges in Byker" or having "the most sensational garden in Wallsend." The place is actually the end of Hadrian's Wall. But that is an additional bonus. *Green Fingers* is the best new play about broadly contemporary Britain that I have seen for a very long time.

It comes from the Northern Stage company and is impeccably directed by Andrew McKinnon. All the cast, some of them inevitably playing several parts, star, and *it is perhaps invidious to pick* out Ewen Bremner and Douglas Henshall as the two young lovers.

Malcolm Rutherford

The V&A of the North

Patricia Morison admires the Bowes and their Museum

How Jacqueline might have lived? A French 19th century painting of a woman artist in her tiny garret

Five minutes' walk from the market cross of Barnard Castle, in County Durham, stands a huge building which looks like a French railway station. This is the Bowes Museum, an odd and delicious collection which has a romantic history. Yet perhaps the strangest thing about the Bowes is that so few people outside Teeside have ever been there.

There are any number of reasons to visit the Bowes. The Park is splendid so children can romp round the monkey-puzzle tree leaving parents to enjoy the largest collection of French paintings in Britain. The Bowes also has one of the largest Spanish collections, including two Goyas and El Greco's "Tears of St Peter". There is a bewitching Sassetta, "The Miracle of The Holy Sacrament", and a pair of intact Flemish altarpieces which in their own right justify travelling the length of the country.

Primaticcio, Tiepolo, Boucher, Hubert Robert, and Courbet: these are some of the "starred" items in three lofty galleries on the top floor. But there is more to the Bowes than its paintings, uncatalogued and rich as they are. This is "the Victoria and Albert of the North". It holds porcelain and pottery from every corner of Europe, musical instruments, tapestries, playing-cards, clocks, and room after room of furniture. Starting at the top is best, first ringing to check when the painting galleries are open; 0833-690606. I *have twice run out of steam* long before the bones and beads on the ground floor.

Variety apart, there is a more subtle parallel between the Bowes and the Victoria & Albert. Both museums are monuments to remarkable marriages. In terms of quality of life, Mrs Jacqueline Bowes could be considered to have done rather better than poor Queen Victoria, dutiful mother of too many children. Jacqueline Bowes had no children – for reasons unknown, although she was always taking warm salt-water baths. Thus she was free to devote herself to her landscape-painting, gardens, animals, and a doting husband whom she addressed in letters as "mon petit père chéri." Above all, Jacqueline had her Museum. Not that James Bowes was any less keen, and the collection was bought with money from his northern estates, his collieries, and spectacular triumphs on the turf. But he always pointed out that the Museum was built on land purchased with his wife's money.

In 1869 Jacqueline laid the foundation stone. The Museum opened in 1892, and as Jacqueline had hoped, the northerners flocked to this showcase of European arts. Sadly, the lady of the Museum was already dead, aged only 44. At least she lived long enough to see the English and French flags flying on the roof, and had enjoyed over 20 years' companionship with her husband. It had been a romantic story. They met in Paris when Jacqueline, daughter of a clockmaker, was a rather bad actress. Bowes already had an actress on board called Ernestine, but he ditched her for Jacqueline. He was in love with France, where he was quite as at home as in England, and spent the greater part of his life.

Bowes was the bastard son of the tenth Earl of Strathmore, who sent him to Eton and, so that the boy would inherit the title, married John's mother the day before he died. Unfortunately, the law ruled that the title and the Scottish lands should go to an uncle, from whom the Queen Mother, a Bowes-Lyon, is descended. Some have said that the stigma of bastardy and a lost Peerage Suit drove Bowes to shun English society. It seems unlikely. Bowes was a genuinely liberal and cultivated man, and so he simply preferred life in Paris.

His was an unusually intense Francophilia, with many costly symptoms. He liked French theatre so much that he bought the Théâtre des Variété, and lost a great deal of money on it. Because racing across the Channel was a poor affair, he joined the Jockey Club and tried to improve matters. He bought Jacqueline the Château de Louveciennes, once the home of Louis XV's flamboyant mistress, Madame du Barry. French high society and opulent Second Empire furniture were very much to his taste and they set up house with top-of-the-range new furniture from Monbro fils ainés. He also bought his wife a title in San Marino, Countess of Montalbo.

One of the delights of the Bowes Museum is that the Founders Collection is so stamped with the taste of Mr and Mrs Bowes. The only regret is that there is not even more. Old photographs show the place once crowded pellmell with objects, but during rocky times earlier this century the trustees sold some of the collection. The Bowes Museum these days belongs to the county council which, let us hope, appreciates its wonderful good fortune.

There is nothing country-house visitors enjoy more than a good bed, and the Bowes's bed is no disappointment. Their own furniture is lavish stuff, loaded with gold and marquetry. However, by the time the couple started collecting for the Museum, the income from the collieries was not quite so healthy. The budget was not lavish, and they bought with discernment, but cheaply. Mr and Mrs Bowes shopped extensively at the International Exhibitions, and kept the receipts.

Paintings rarely cost over £100, more usually about £10. Their "modern" paintings were unadventurous but attractive, lots of post-Barbizonist landscapes, seascapes, and subjects with a mild religiosity. Women artists are unusually well-represented, surely because Jacqueline took her art seriously. Among the ostentatious furniture hangs a delightful painting of a women artist in her tiny garret with an iron bedstead. Did Jacqueline buy it as a reminder of how things could have been, without her Englishman?

Barnard Castle is 12 miles from Scotch Corner. It makes a perfect place for a bracing weekend, with views of the Yorkshire dales and a medieval fortress, and the only charming petrol station left in England. Mr and Mrs Crabtree run a comfortable bed-and-breakfast (0833-38110). So next time you drive to Scotland, do not miss this marvel of Anglo-French cultural collaboration at its best.

Felicity Lott

WIGMORE HALL

Spring may seem a long way off, but that did not stop Felicity Lott presenting a recital in celebration of it at the Wigmore Hall on Wednesday or, it seemed, half the voice-lovers of London turning up to hear her. The programme was devised by the accompanist Graham Johnson and, by a twist in meaning of the kind he obviously enjoys, the evening also formed a homage to the great French musical star, Yvonne Printemps.

Any link between the two singers should not be pressed too far. Printemps was a creature of the stage, a popular entertainer both abroad and here, whose personality fairly leaps out from her surviving 78s – not dusty relics these, but a vivid portrait in sound. Felicity Lott is the pure singer *par excellence* and it is only with her tongue firmly in her cheek that she starts to wrap her voice around the songs of French light opera at all.

In the French and German spring songs that made up the first half, she sang with her usual beauty. This voice is remarkable for its grace of movement, a sinuous soprano, which moves from note to note without letting a single consonant break its flow of tone. It is ideal for the sensuous "Temps des lilas" by Chausson or Wolf's lazy "Im Frühling", though Mörike's poem for the latter is too deep by far to be allowed nearly to wash past.

And there, I feel, lie any doubts about the recital. The words did not often lead the ear, when they should. For the second half, in which various pieces sung by Yvonne Printemps were brought together, Miss Lott donned an enticing off-the-shoulder gown and a still more sensuous feeling for line and style than before, wholly delectable in her Poulenc and a welcome feature at least in everything else, as far as it went.

The trouble is that the real Printemps favourites – Messager's "J'ai deux amants" and Oscar Straus's *Les Trois Valses* – need something more. Our singer tried a light French dressing of suggestiveness, but the result was quite anodyne compared to what was made of these pieces by Crespin, let alone the illustrious French lady who was the inspiration of the evening. To that extent Printemps with a big "P" seemed just as far away.

Richard Fairman

New Butterfly for ENO revival

Pinkerton and Butterfly: Arthur Davies and Susan Bullock

COLISEUM

English National Opera have a new soprano for their *Butterfly* revival, youthful, artless, fresh, and extremely touching. Susan Bullock has worked her way up through company ranks to this most demanding of Italian-opera heroines; she was, in fact, a late replacement for the originally scheduled Vivian Tierney, though the directness of Wednesday's performance suggests that there has been no shortage of careful, responsible preparation for the task.

Miss Bullock casts a glow of innocence on those early passages (the chatter about prized possessions and relatives, the confession of Christian conversion) to which singers of more heroic vocal cast and temperament sometimes lend only coy simperings. Her warm, malleable soprano shapes words so frankly and graces phrases with such gentle poise that the character's youth and naivety don't have to be taken on trust; in the context of both the impending tragedy and of Graham Vick's production (with its concentration on the obsessive, neurotic side of Butterfly's character), these qualities are precious and beautiful assets.

The voice discovers innumerable eloquent tones and shining delicacies of detail for the love music, and – since the ENO's is an interestingly amplified edition of the usual *Butterfly* text – for those odd, heartbreaking little moments of folksong-like self-examination or resignation which Puccini pruned from the final version of the opera. I worry only that the exalted passages sweeping the voice to the heights seem to tax Miss Bullock's resources to their utmost; she has the high notes, but on Wednesday many of them were edgily sustained, and abruptly cut off. It would be a shame if the success of this debut were to be too regularly repeated – since, after all, Butterfly is one of the notorious "voice-breakers".

This is altogether a fine revival. All the principals are new to the opera in this theatre – Arthur Davies (bravely embracing all the unsympathetic aspects of an ENO Pinkerton), Alan Opie (superbly authoritative as a Greene-like consul of grizzled honesty), and Louise Winter (a lovely tough-tender Suzuki) – and all are in exceptionally free, unstrained voice. Smaller parts are acutely touched in; Michael Lloyd, after a rushed start, proves an excellently sympathetic, lyrical conductor. I continue to find the Vick production an overegged pudding, anxious to nudge its insights into the ribs of the audience. But in this latest showing its strengths are certainly argued to the full.

Max Loppert

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Simon Rattle returns to the Berlin Philharmonic Orchestra *this* weekend to conduct three concerts featuring Karol Szymanowski's Stabat Mater and Mahler's Second Symphony, with soloists Willard White, Arleen Auger and Alfreda Hodgson.

They are the first public concerts to be given by the orchestra in the Schauspielhaus in the east side of the city.

The BPO will share the use of the hall over the next nine months with its east Berlin *counterpart, the Berlin Symphony* Orchestra, while repairs are carried out to the ceiling of the Philharmonie.

The BPO will continue to use the Kammermusiksaal *of the* Philharmonie for programmes requiring reduced forces. Next Wednesday, Rattle conducts the *first of four* concerts in the Kammermusiksaal featuring Ravel's Ma mere l'oye, Mozart's Piano Concerto No 27 K595 with Imogen Cooper and Haydn's Symphony No. 90.

Also in Berlin, the Deutsches Theater offers a marathon double-bill of Shakespeare's Hamlet and Hamletmaschine, a play by the radical east Berlin dramatist Heiner Muller (tomorrow and Sun 15.00 to 23.00).

The *first of this year's special* events marking the 200th anniversary of Mozart's death takes place in Stockholm, with a week of lunchtime and evening concerts at *the Konserthus* starting on Monday.

Jukka-Pekka Saraste conducts a symphonic programme with the Stockholm Philharmonic on *Thursday lunchtime, and their* Saturday programme runs from 12.00 to 17.00, starting with a public rehearsal.

Opera first nights include The Love for *Three Oranges at the* Bavarian State Opera in Munich, staged by Yuri Lyubimov and conducted by Wolfgang Sawallisch (Mon); Capriccio at Covent Garden (*Mon*), *a John* Cox production conducted by Jeffrey Tate, with Kiri te Kanawa as the Countess and Thomas Allen as the Count; Daphne, another Richard Strauss opera, has a series of concert performances in Geneva with Lucia Popp in the title role (Tues); *and James* Levine conducts Die Zauberflöte at the Met (Thurs).

Other events: Peter Hall directs Pinter's The Homecoming at the Comedy Theatre in London with a cast including Warren *Mitchell*, and Johnny Dankworth conducts two concerts in Rotterdam this weekend, featuring the percussion virtuoso Evelyn Glennie.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Painters of Venice: traces the origin and development of the Venetian 'Vedute', town views *of the 18th century*. Canaletto, Bellotto and Guardi form the heart of the exhibition, drawn from collections worldwide. Ends March 3. Also Dutch *watercolours from the 18th* Century, an exhibition of 70 drawings by Jacob de Wit, Cornelis Troost and others. Ends Feb 17. Closed Mon

Van Gogh Museum Van Gogh and Modern Art: paintings by Van Gogh juxtaposed with works by about 40 European avant-garde artists from the years before the *First World War*, including Matisse, Picasso, Klimt and Kandinsky. Ends Feb 18. Closed Mon

BERNE

Kunstmuseum Matisse, 70 *sculptures and around* 120 monochrome prints representing all periods of the artist's development. Ends Feb 10. Closed Mon

BRUSSELS

Musees Royaux d'Art et d'Histoire Inca-Peru, an exhibition tracing the evolution and decline of the Inca culture through 450 artefacts. Ends Jan 20. Closed Mon

FRANKFURT

Jahrhunderthalle Hoechst Drawings and watercolours of *German Expressionism*: a selection of work by Beckmann, Kokoschka, Schiele and others. Ends Feb 2. Daily

THE HAGUE

Mauritshuis Foundation *Great* Dutch paintings from America: 75 masterpieces from public and *private collections, including* works by Rembrandt, Vermeer, Frans Hals and Van Goyen. Ends Jan 13. Daily

LAUSANNE

Fondation de l'Hermitage François Bocion (1828-1890), a retrospective including 150 paintings and drawings of scenes around Lake Geneva. Ends Jan 21. Closed Mon

LONDON

Hayward Gallery The Drawings of Jasper Johns, 120 works by the American artist ranging over the past 35 years. Ends Feb 3 Daily.

Royal Academy Egon Schiele and his contemporaries, major exhibition of Viennese paintings, including Kokoschka and Klimt. Ends Feb 17. Daily

MADRID

Fundacion Juan March Cars: Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz to mark the centenary of the invention of the automobile. Ends tomorrow

MARTIGNY

Gianadda Foundation Retrospective of sculpture, paintings and drawings by Camille Claudel (1864-1943). Ends Feb 17. Daily

MUNICH

Akademie der Schonen Kunste Joseph Beuys (1921-1986), 150 paintings and drawings from the Van der Grinten collection. Ends Jan 27. Closed Mon

Staatsgalerie Moderner Kunst From What We Have and What We Would Like, a selection of work *from the gallery's own collection* juxtaposed with other work on loan. Ends Jan 27. Closed Mon

Haus der Kunst Paintings and Objets d'Art 1965-1990, an exhibition of work added to the city's art collection over the past 25 years. Ends Feb 17. Daily

Kunsthalle der Hypo-Kulturstiftung Royal Dresden, Art at the Saxon Court: a collection of paintings, sculpture, porcelain, jewellery and other objets d'art showing the artistic and technical sophistication of 18th century Dresden. Included in the exhibition are the 41-carat Dresden green diamond and paintings by Canaletto. Ends March 3. Daily

Lenbachhaus Getlinger Photographs Beuys: photographs of the German artist Joseph Beuys taken by Fritz Getlinger between 1950 and 1963, including portraits of Beuys and photographs of his drawings and sculptures. Ends Jan 20. Closed Mon

NEW YORK

Metropolitan Museum Mexican art from pre-Columbian era to 20th century. Ends Jan 13. Closed Mon

Museum of Modern Art High and *Low: Modern Art and Popular* Culture, bringing together works by Dubuffet, Duchamp, Picasso, Warhol and others. Ends Jan 15.

PARIS

Bibliothèque Nationale Memories of Egypt, multi-media exhibition commemorating the bicentenary of the birth of the Egyptologist Champollion. Ends March 17

Conciergerie Saint Bernard et le Monde Cistercien, celebrating the 900th anniversary of St Bernard's birth. The exhibition *includes manuscripts, stained* glass windows, scale models of cloisters and a huge wine press. Ends Feb 28

Galerie Odermatt Cazeau Wide-ranging collection of paintings by Andre Masson. Ends Feb 2

Grand Palais Paintings, drawings and tapestries by Simon Vouet (1590-1649), whose vast compositions decorated palaces and churches at the time of Louis XIII and Richelieu. Ends Feb 13. Closed Tues

Haboldt and Co Drawings by French and Italian masters of the Ecole du Nord. Ends Jan 19

Louvre Recent acquisitions of the Department of Objets d'Art. Includes 136 exhibits of medieval ivories and goldsmiths' work, renaissance bronzes, enamels and majolicas. Also 18th century furniture, tapestries and porcelain, many of which were royal possessions. Ends Jan 21. Closed Tues

Musee des Arts Decoratifs Panoramic wallpapers from the 19th century. Ends Jan 21. Closed Mon and Tues

Musée d'Orsay From Manet to *Monet: the museum's acquisitions* over the past seven years, including paintings, drawings, photographs and furniture. Ends March 10. Closed Mon

PRAGUE

National Gallery Jan Zrzavy (1890-1977), exhibition of paintings at the Wallenstein Riding School. Ends March 3. Closed Mon

ROME

Accademia di Spagna Masterworks from the Museum of Catalan Art in Barcelona, *including Tintoretto's Portrait of* a Gentleman and Bassano's Crucifixion. Ends Jan 9

Villa Medici Jean-Honore Fragonard and Hubert Robert: a comparison between two very different 18th century artists, often depicting the same landscape. Ends Feb 24

ROTTERDAM

Museum Boymans-van Beuningen Fra Bartolommeo, drawings from the Italian Renaissance: a selection of 100 drawings from the museum's collection. Ends Feb 17. Also Prints by Piranesi, including 35 large-format views of Rome first published in 1748. Ends March 10. Closed Mon

STUTTGART

Staatsgalerie Selection of paintings by the Bolognese artist Giuseppe Maria Crespi (1665-1717). Ends Feb 17. Closed Mon

VIENNA

Kunstlerhaus Roberto Capucci: Gowns as Armour, fashion in steel and silk from past and present. Ends April 2. Also Mozart in Vienna, an exhibition for the Mozart bicentenary. Ends Sept 15. Daily

WASHINGTON

National Gallery A major exhibit of 90 Van Dyck paintings borrowed from collections worldwide and mixed with the gallery's own collection. Ends Feb 24. Also Titian, Prince of Painters: 50 works from public and private collections worldwide. Ends Jan 27. Daily

ZURICH

Kunsthaus Giovanni Segantini (1858-1899), retrospective of post-impressionist paintings and drawings from the three major periods. Ends Feb 3. Daily

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday January 4 1991

A last chance for peace

THE agenda for today's meeting of European Community ministers in Luxembourg is of necessity fluid and a little vague. But it will probably lead to some kind of European involvement in a final attempt to persuade Saddam Hussein to withdraw his forces from Kuwait before the United Nations deadline expires on January 15. The ministers are absolutely right to try.

At the same time, President Bush of the US has repeated that his secretary of state, Mr James Baker, is ready to meet the Iraqi foreign minister, Mr Tariq Aziz, in Europe next week, previous offers of dates for talks having been turned down by Baghdad. The Americans, too, are right to go on trying to reach a peaceful settlement before the UN deadline runs out.

Indeed there should be no difference of substance between the American and European approaches. The purpose of the diplomacy is to convince President Saddam that if he fails to comply with successive UN resolutions in time, he will face war. Nor are those resolutions solely supported by the Atlantic alliance of Americans and west Europeans. There is an unprecedented coalition of powers behind them, including the Soviet Union. China did not use its veto as a permanent member of the Security Council, as it could have done, to oppose them. The Arab members of the coalition, all of whom have committed troops and military hardware, include Egypt, Syria and Saudi Arabia. The credibility of the Security Council is thus on trial as never before. If President Saddam is allowed to keep Kuwait, the chances of the UN acting again to resist future aggression are much diminished.

Open questions

All that should be clear enough by now to everyone concerned. Perhaps it is not yet clear enough, however, to President Saddam, the one man who could ensure a peaceful solution by agreeing expeditiously to withdraw his forces. Whether Saddam is acting out of bravado, ignorance or a belief that the coalition against his annexation of Kuwait will ultimately fail to act are open questions. The fact is that, each way, he is wrong.

The aim of any European initiative must be quite simple. It must be to persuade him that if he does not begin the withdrawal by January 15, war will follow – not necessarily the next day, but shortly thereafter. The Europeans will also have to say outright, and without nuances, nods or winks, that nothing on this matter will divided them from the United States.

No preconditions

The Iraqi president may have been misled by reports that France and Germany are interested in diplomacy on their own account. If so, he should study carefully the official positions. Mr Hans-Dietrich Genscher, the German foreign minister whose initiative led to the Luxembourg meeting, restated categorically this week that the immediate objective is to get Iraqi troops out of Kuwait; there can be no preconditions for that, he insisted. President Mitterrand of France may enjoy sending quasi-official emissaries to the Middle East, but France has committed almost as many forces to a possible war as Britain. When it counts, France stands firm with its allies. That, too, may again have to be explained to President Saddam. He is no longer dealing with ex-prime ministers, however well-intentioned, but with governments.

There is one reason, however, why a European approach might succeed where the US has so far failed. If it is true that Saddam dislikes and distrusts the Americans so much that he cannot bring himself to climb down in front of them, it is just possible that he, or his foreign minister, will find it easier to talk to Europeans. For that reason a move is worth trying.

The Europeans may also stress that if Iraq does withdraw from Kuwait, other possibilities for diplomacy in the Middle East will open up. There is no way of simply returning to the status quo ante. But those are emphatically not preconditions: either the Iraqi troops get out, or Iraq faces war. Any peace mission must make that plain. The next move is Iraq's.

The pensions debacle

FOR anyone who has followed the US savings and loan fiasco, the inexorable rise in the bill for Britain's new-style personal pensions carries a powerful transatlantic echo. The scale of this British mess is admittedly very much smaller. Yet the degree of muddled thinking involved and the determination of ministers to procrastinate when confronted with past blunders and mounting future liabilities is all too familiar. Why was it allowed to happen?

The logic of the pension reforms originally proposed by Mr (now Sir) Norman Fowler in 1985 was mainly that the state earnings-related pension scheme (Serps) threatened to impose an undue burden on the taxpayer in the 21st century. Shifting the burden to the private sector was said to have the advantage of making future pension costs more manageable, while giving a boost to popular capitalism.

This uncharacteristic preoccupation with a cost that was unlikely to cause serious political waves for decades looked odd at the time. The underlying arguments also looked questionable in the light of the low proportion of national income spent on state pensions in Britain when compared with other developed countries with more rapidly ageing populations. And in the event political obstacles to the full abolition of Serps proved overwhelming. The government decided instead to protect the taxpayer by cutting benefits to future pensioners, while offering employees and employers rebates for opting out of Serps well in excess of the levels suggested by the government actuary. A further incentive equivalent to 2 per cent of earnings, in practice little more than a bribe, was offered for employees contracting out with a personal pension.

Fundamentally flawed

The policy proved to be a bonanza for personal pensions salesmen. But from the government's point of view it was fundamentally flawed, because the state's pension liabilities were, in effect, privatised on a sale or return basis: those who opted out enjoyed the right to re-join the state scheme at any time they chose. Worse, the whole structure of Serps was designed to encourage people to take an arbitrage profit by moving back and forth between public and private sector.

Since it costs more to finance pensions as employees grow older, an actuary would normally expect to adjust any rebate on contracting out to reflect sex and age. Yet the rebate was fixed at an average rate for all, thereby ensuring that it was highly advantageous for young employees to opt out. By the time those who opted out in their twenties reach their forties, it will pay to opt back in. Small wonder that 4m mainly younger employees – far in excess of the number originally expected – have opted out. Under the new Financial Services Act their financial advisers will be obliged to advise them to opt back in at the appropriate moment.

Lower benefits

The government has always argued that the rebates and incentives would be recouped out of lower benefits. Yet it never provided any adequate figures to justify the assertion. And the cost of this muddle to the National Insurance Fund has recently been put at £5.9bn over the period 1988-93 by an independent firm of actuaries employed by the government's comptroller and auditor general. The government now finds itself in a Catch-22 position. If it cuts the rebate, more people will be tempted to go back into the Serps scheme.

No doubt there are various short-term policy options to mitigate the damage, ranging from varying rebates according to age and sex – which would impose a costly administrative burden on employers – to changing the terms on which people are allowed in future to opt back into Serps. The government actuary might be given agency status and a right to set rebates independently of the government. But the real failure here was to allow the pensions agenda to be hijacked by the personal pensions lobby when a more fundamental rethink of the role of state pensions was called for. That remains the overwhelmingly urgent priority.

Amid much talk of war, diplomacy is being given one last chance, report **Lionel Barber, Tony Walker** and **Victor Mallet**

The final steps in Bush's 'extra mile'

In the end, it was President George Bush who blinked. His proposal yesterday to send Mr James Baker, US secretary of state, to Geneva next week to meet Mr Tariq Aziz, the Iraqi foreign minister, ends a four week long stalemate and offers diplomacy another chance to avert war in the Gulf.

With congressional and European pressure for high-level talks with Baghdad mounting ahead of the UN's January 15 deadline for an Iraqi withdrawal, Mr Bush had little choice but to modify his previous demands. He had insisted that a meeting between Mr Baker and President Saddam Hussein take place no later than January 3, after a planned visit by Mr Aziz to Washington.

As one US official explained: "Although we were the ones who first proposed the meeting, the haggling over the dates has made it look as though we are the ones who don't want the talks."

Yet the belligerent tone of the Bush administration's rhetoric in recent weeks, led by the president himself, begs the question: even if Iraq accepts yesterday's offer – which by last night it had not – what would be the purpose of a Washington-Baghdad exchange?

Is it, as Mr Bush insists, "one last attempt to go the extra mile for peace", to drive home the ultimatum that Iraq must withdraw from Kuwait before the United Nations deadline of January 15, or face a war? Or could it be the prelude to some sort of compromise linking the Kuwait issue to broader talks on the Arab-Israeli conflict?

From Washington's perspective, it is clear that Mr Bush first proposed the idea of high-level talks with Baghdad in response to domestic political pressures. Having won United Nations Security Council approval for the use of force against Iraq, Mr Bush suddenly found himself confronted by a rebellion in Congress, where both Democrats and Republicans voiced unease about what appeared to be a rush to war.

However misleading the analogy, the threat of an offensive war, with thousands of potential American casualties, has evoked memories of Vietnam. Many members of Congress, while supportive of Mr Bush's overall policy, would like to see sanctions given more time to work rather than resorting to force. Even more troubling for Mr Bush, it has led to a protracted debate over the respective roles of the president as commander-in-chief and Congress which has the sole right to declare war under the US constitution.

Democrats such as Mr George Mitchell, the forceful Senate majority leader, are adamant that Mr Bush needs a formal declaration of war before launching an attack against Iraq. Congressman Richard Gephardt, House majority leader, has threatened to cut off funding for the US military if Mr Bush orders a military offensive without congressional approval.

Some officials in the White House, which is a good deal more gung-ho than other departments, argue that the president should simply call Congress's bluff and force an up-or-down vote; but this goes against the natural instincts of Mr Bush (himself a former Congressman from Texas). More important, a slim majority vote for war could send a dangerous signal to Baghdad, where Mr Saddam often sounds as if he believes the Americans have no stomach for war.

In spite of these constraints, the administration has continued the military build-up in Gulf to the point where US forces should reach the target of 430,000 by the end of the month – equipped with the most sophisticated weaponry in the Pentagon's arsenal. By mid-February, defence experts believe, a US-led force could be ready for an offensive against Iraq.

Gulf rhetoric, or reality as the January 15 deadline looms? Clockwise from top left: secretary of state James Baker; Presidents George Bush, François Mitterrand; President Saddam Hussein with the PLO's Yassir Arafat

For the moment, however, diplomacy is to be given a chance. While Mr Bush wants to frighten Mr Saddam out of Kuwait with the undiluted threat of war, other members of the US-led international alliance have openly been scratching around for peace formulae to tempt President Saddam into a voluntary withdrawal.

Ahead of a meeting of European Community foreign ministers in Luxembourg today, both President François Mitterrand of France and Mr Jacques Poos, the Luxembourg foreign minister, have held out the carrot of broad Middle East peace negotiations – after an Iraqi withdrawal – on everything from the need for a Palestinian homeland to the problems of Iraq and Kuwait.

Mr Bush's latest proposal for talks was in part a response to such independent efforts to engage the Iraqis in a dialogue, and it will almost certainly remove the pressure for a separate initiative at today's meeting.

In any case, it is far from clear that whatever promises the Europeans may have to offer in exchange for a withdrawal will hold any more appeal for Mr Saddam than they do for Mr Bush. The most that Europe can offer in the way of public concessions to Iraq would be post-withdrawal discussions on the Arab-Israeli conflict and talks on Iraqi grievances against Kuwait, and that may not be enough to persuade Mr Saddam to risk domestic upheaval by withdrawing entirely from Kuwaiti soil.

Mr Saddam has shown no signs of preparing to depart and has staked his reputation at home on keeping Iraq's "19th province", as he calls Kuwait. More popular among Palestinians abroad than among Iraqis who must endure his dictatorial style of government, he is engaged in brinkmanship with potential rivals at home as well as on the international stage.

One small lapse in his ruthless internal security system and the sort of mysterious "traffic accident" which disrupted Iraq's Army Day this time last year could turn into a successful assassination attempt.

The suggestions of Mr Mitterrand and Mr Poos provide no more than a flimsy face-saving device for Mr Saddam, unless (in spite of French denials) there is a secret agenda allowing for concrete territorial concessions to Iraq by Kuwait.

Not even those sympathetic to the Iraqi cause can believe that Mr Saddam's August 12 statement linking Kuwait to the Palestinian issue was anything other than an opportunistic ploy forced upon him by the unexpectedly fierce international reaction to the invasion.

Mr Saddam, furthermore, cannot be trusted. Iraq announced that it was withdrawing as early as August 3, but that turned out to be a lie to play for time just after the invasion.

Iraq could be offered a deal based on the strict application of UN Security Council Resolution 660, which demanded an unconditional withdrawal and also called for immediate negotiations between Kuwait and Iraq to resolve their differences.

But Iraq's self-serving claim – relayed by Mr Edward Heath, the former British prime minister – that Kuwait advanced between 30 and 40 miles into Iraqi territory during the Gulf war is scarcely credible; the reality is that Iraq occasionally violated the frontier by sending soldiers into Kuwait and rebuffed Kuwaiti efforts to resolve the border dispute once and for all.

If the western nations are sceptical about any compromise with Iraq, however, things are seen quite differently in the Arab world. In spite of their hard line in public, many Arabs believe that at the eleventh hour Mr Saddam will seek a way out of the impasse and war will be averted. Even if this is achieved through messy compromise most Arabs would regard such an outcome as infinitely preferable to war, however much they might wish to see President Saddam removed from the face of the earth.

Sentiment in moderate Arab states that bitterly opposed the Iraqi takeover of Kuwait – such as Egypt – seems to be swinging against the war option. Talk is turning towards the shape of a deal that might facilitate an Iraqi withdrawal.

Mr Mahmoud Riad, former secretary general of the Arab League and one of the Arab world's most experienced statesmen, echoes the views of many when he says: "War would be illogical. At the last moment I am sure Saddam Hussein would do his best to avoid the destruction of his country...He made a mistake and it is up to him to correct it."

Mr Riad believes that possibility for compromise revolves around the future status of the Rumaila oilfield on the Iraq-Kuwait border, and the Kuwaiti islands of Bubiyan and Warba in the Gulf. He recalled that at a previous moment of tension between Iraq and Kuwait in 1973, the issue of "renting" Bubiyan to the Iraqis for 100 years was discussed. But the Kuwaitis rejected the notion because of fears that once Iraq had gained a foothold on the island Kuwaiti sovereignty would be jeopardised.

Kuwaiti officials interviewed recently in the Saudi town of Taif indicated flexibility on dealing with Mr Saddam if the Iraqi occupation was ended. "If the world can live with him, we can live with him," said Dr Abdel Rahman al-Awadi, minister of cabinet affairs. Saudi Arabia has in the past also suggested that it would accept a territorial compromise on Kuwait's part.

While in western eyes all this may smack of unacceptable concessions to an aggressor, even some of those Arabs more hostile to Iraq have argued that an escape route should be left open for Mr Saddam. He is seen as infinitely more dangerous if cornered.

Dr Saad Eddin Ibrahim, a sociology professor at the American University in Cairo, said he remained optimistic about a possible reversal in the Iraqi position. He said the west often failed to appreciate the "fluidity of this (Arab) culture".

But it is impossible to tell whether the stepped-up Arab and western diplomacy of recent days is making any impact on the Iraqi ruler. It seems unlikely that he will make any concessions before the last minute. As Mr Riad says: "Saddam is playing a very dangerous game, like Russian roulette."

If Iraq were to yield in the next few days to Mr Mitterrand's blandishments and signal a willingness to withdraw on French terms, it would place President Bush in an extremely awkward position. The question for the Americans, no less than for their Arab allies, would be whether to believe the Iraqi ruler, and what guarantees might be extracted to hold him to his word.

An Iraqi offer to withdraw by a specific date in exchange for some concession on the Palestinian problem would cause considerable difficulties for the US administration, which has set great store on the unconditional withdrawal of Iraqi forces.

Moreover, even if Mr Saddam blinks at the thought of war and withdraws from all of Kuwait (the favoured outcome to the crisis, except perhaps in Baghdad or Jerusalem) the risk of conflict in the Gulf would remain for a long time to come.

The US and Britain have promised not to attack Iraq if it pulls out completely. But in such an event, President Saddam would be left with his powerful armed forces undefeated and his nuclear, biological and chemical weapons programmes intact.

In effect, the same drawbacks apply to the more likely Iraqi option of a partial withdrawal. The western allies have said that Iraq will still face the risk of attack if it keeps northern Kuwait and Bubiyan and Warba; in practice they are unlikely to fight a war for the disputed territory, although general economic sanctions would remain in force.

In the final analysis, whatever Washington and its closest allies may say, there are undoubtedly those in the international coalition ranged against Mr Saddam who would welcome such an Iraqi move as an escape route from war.

The worry is that Mr Saddam will leave his move too late, and that the region will slide into war regardless. "The ball," as one US official said, "is now in the Iraqi court."

OBSERVER

Sony's Welsh bridgehead

■ Ten years is a long time for a Japanese manager to serve abroad. Most view anything over a couple of years as equivalent to being sent to Siberia. Hiro Nakamura has proved them wrong.

Ten years ago he was sent by Sony to Bridgend in South Wales as assistant general manager of the TV plant; subsequent promotions have seen him rise not just to head the local operation but also to become managing director of the company's whole European operations in 1989.

Now he is returning to Tokyo as senior general manager in the TV group, a top appointment and proof that a long spell away from HQ does no harm to a career.

Nakamura is one of the few Japanese who has become part of the Welsh industrial scene. Unlike his compatriots who confine their out-of-work activities to a game of golf, Nakamura became a council member of the CBI in Wales and a governor of the Wales Quality Centre.

Not that he has totally neglected his golf, though he maintains that the travel involved in heading the European operations has done little for his handicap.

He will be remembered much more, though, for his work in bringing quality standards in Wales up to those considered the norm within Sony and to building up a strong R & D department in Bridgend.

Whiplash

■ Passions are running high in London's elegant warrant row. The annual publication of the proud owners of the near 900 Royal Warrants bestowed by the Queen and her immediate family, is causing some dark muttering amongst those who worry about these sorts of things.

Although MPs still cannot find out whether the Bank of England is considering stripping Harrods of its banking licence, I can confirm that the famous Knightsbridge store has once again retained its royal plaques. Unfortunately, the same cannot be said for Piccadilly-based Swaine Adeney Brigg, which has been making royal whips and umbrellas for as long as any one can remember. It even made Indiana Jones' giant bull whip.

The omission threatens to cause as big a stir as when Cartier, the luxury goods maker, was dropped a few years back.

The official line is that it is just a hiccup. Mr Robert Adeney, the retiring chairman, forgot to fill in the forms. Royal warrants are assigned to individuals rather than firms, so it will be up to Lord Tryon, an old chum of the Prince of Wales and the new chairman of the firm, to make sure the company is not overlooked again.

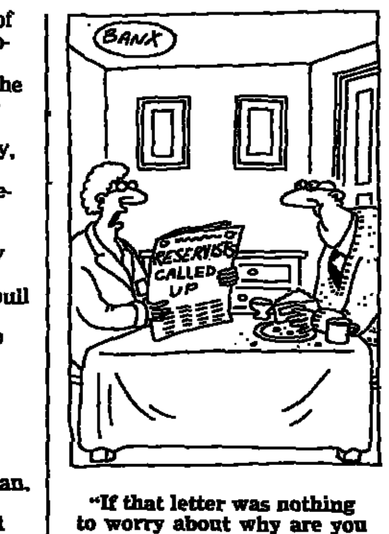
Nevertheless, the royal oversight is yet another blow for Ensign Trust, which is facing a mutiny by its majority owner, the Merchant Navy pension fund. It bought a half share in the loss-making group last summer and has great plans to transform it into another upmarket success story like Dunhill.

Let's hope Lord Tryon can win his spurs.

Rehabilitation

■ Having sacked most of the board of Nordbanken over the Christmas holidays, the Swedish authorities are bending over backwards to restore confidence in the country's second biggest bank.

Yesterday saw Hans Dalborg, chief operating officer of the big Skandia insurance group, parachuted into Nordbanken's empty chief executive's chair. The 49-year old Dalborg is nowhere near as colourful as Kjell-Olof Feldt and Jacob Palmstierna, who have also been recruited to the new Nordbanken board. But perhaps that is no bad thing.



"If that letter was nothing to worry about why are you eating it?"

Feldt resigned from the government last February in exasperation at the opposition inside the labour movement to his free market economic policies. An acerbic and articulate man with a touch of owlish flamboyance, he is a Swedish version of Denis Healey.

Since quitting active politics, Feldt has been accumulating a variety of different jobs including adviser to Volvo and a seat on the state railways board. He is also writing a book, which promises to be an unbuttoned account of his years at the Ministry of Finance between 1982 and 1990. His old colleagues are praying that it is not published before next September's general election.

For Jacob Palmstierna, his new directorship is a clear sign that the Swedish government is in a forgiving mood. The former chief executive of Sweden's largest commercial bank Skandinaviska Enskilda Banken for a short time, he was forced to resign after being accused of tax irregularities over the peppercorn rent he was paying on a villa where he lived courtesy of the bank.

He suffered the indignity of a very public police raid on his office and a trial. The charges against him were dismissed though he never recovered his old job at SEB.

Boom and bust

■ When Cigna International's Tim Griffen, a long time bear of the Tokyo stock market, celebrated his recent return to the US after six years, he wanted his party to go with a bang.

Decorating the room were balloons celebrating not only the great Tokyo bubble but also previous speculative booms. Students of financial history spotted the names of former Goldman Sachs clients such as the Shenandoah pyramid investment trust companies from the 1920s. The Sword Blade Company and Mississippi Land, firm favourites of international speculators at the time of the South Sea bubble in the 1720s, were also looking nicely inflated.

Nestling ominously amongst the great bankruptcies of the past were Nomura and NTT balloons. There was even a Cigna balloon.

Test case

■ Psychologists in the US are reported to have changed to using lawyers instead of rats in experiments. The reasons are threefold.

- Rats are now scarcer than lawyers.
- Laboratory assistants, who often got too fond of rats to inflict pain on them, have no such qualms about lawyers.
- Lawyers will do things no self-respecting rat would consider.

Sweden's tax shake-out

Reforms have shifted the burden from direct to indirect taxation, writes Robert Taylor

Sweden, which has the *heaviest* tax burden in the western world, has a new tax system from this week. Its architects in the rul*ing Social Democrats say* it represents the biggest fiscal shake-up for more than 100 years, with the abolition of national income tax on all but the highest paid.

In the view of Mr Eric Asbrink, the minister in charge of tax policy, the reforms are "unique in their scope, compared with what other countries have achieved" – more far-reaching, he claims, than New Zealand's tax-cutting experiment, or the cuts in the UK and US in the 1980s. The overall tax burden will not fall, however, because there will be a shift from the taxing of incomes to the taxing of goods and services.

The aim is to establish a more equitable, effective tax system in Sweden, which will stimulate the work ethic, spur saving and help to create a more dynamic business culture to shake the economy out of its severe bout of combined inflation and recession.

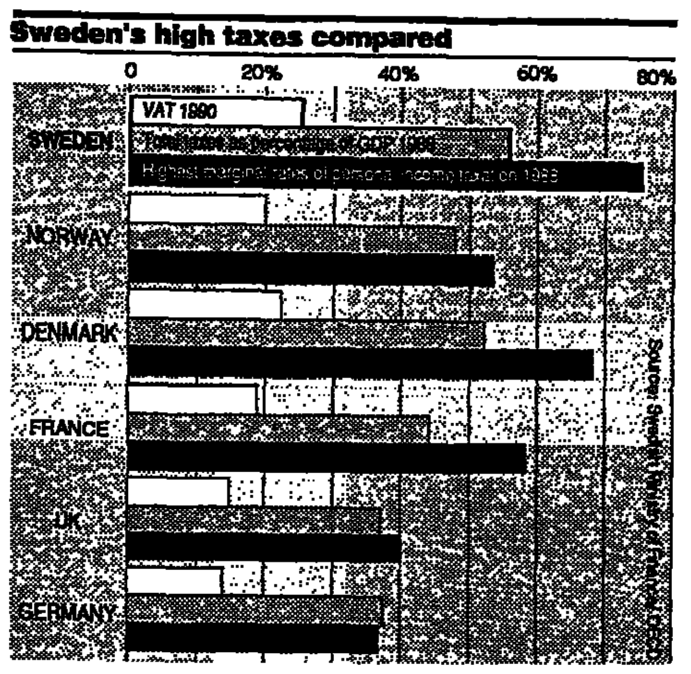
Swedes in work are going to receive a big boost in their net pay packets. As many as 85 per *cent of them – those earning* SKr180,000 (£16,500) a year or less – will no longer have to pay any income tax to the central government. They will still have to pay up to 31 per cent of their gross income to local authorities – as they do now.

Moreover, the top marginal income tax rate *(including local authority tax) in* 1991 will fall to 51 per cent compared with 72 per cent in 1989. For *the highest 15 per cent of earners*, therefore, national income tax will not be higher than 20 per cent of gross earnings.

As a result of the reform the average Swedish worker will have an estimated 35 per cent improvement in his or her disposable income. The total loss to the government of income tax revenue is estimated to be about SKr60bn a year.

But Swedes will have to make up most of this deficit through the broadening of indirect taxation, which stands at a uniform rate of 25 per cent. *Value-added tax – introduced* in Sweden in 1969 – covered 70 per cent of goods and services before the changes. Now it will be extended to all forms of public transport, housing transactions and hairdressing, as well as the private consumption of energy. Exemptions remain for newspapers and books, schools, hospitals, social services and banking. This is expected to add 3 percentage points to Sweden's 10.6 per cent inflation rate, thus leading to a further deterioration in the value of the kronar.

Sweden's high taxes compared



Mr Asbrink says the inspiration for Sweden's tax reforms came from the America experi*ence under President Ronald* Reagan, when taxes were cut in an attempt to stimulate economic activity. "What was achieved in tax *reform in the* US played a big part in our Swedish debate when it began in 1986," he says.

The main thrust of the reforms will certainly be regressive, conflicting with the Social Democrats' historic commitment to an egalitarian and highly redistributive tax system which taxed higher incomes to pay for the country's generous welfare state.

*"The old tax system had neg*ative effects," says Mr Asbrink. "There was a lot of tax evasion. It provided too many possibilities of escape through loopholes. In practice it was no longer particularly redistributive. In fact, high taxes were being imposed on those with middle and lower incomes."

Mr Sten Westerberg, head of Enskilda Fond Commission, a stockbroking firm, says: "It has been politically difficult for the government to carry through the reform. The party activists really don't like it." Ministers insist the initial impact will be cushioned by greater provision in social benefits.

Many Swedes, especially those with young children, will gain through parallel improvements in child benefit and *housing allowances. Even blue*-collar trade union economists, who were initially hostile, accept that most workers will become net beneficiaries. Reformers also point out the well-off will no longer enjoy a network of perks – tax deductions on eating out, subsidised housing loans and tax-exempt business allowances.

But many tax experts doubt whether the changes will *really deter individuals from* finding further ways round the new system. A recent study by the independent Institute for Housing Research suggested the main winners would be the wealthiest home-owners.

The reforms also involve a new, uniform 30 per cent capital tax. This will cover interest and dividend income from shares and other sources as well as capital gains and real estate-related income, which is expected to bring in an extra SKr25bn a year. Before the reforms, a chaotic assortment *of tax rates was applied to dif*ferent sources of income.

Mr Asbrink admits that the capital tax will have to be reduced soon to bring Sweden more into line with the lower taxation levels elsewhere in western Europe. The liberalisation of Sweden's financial system has made it easier for people to invest abroad, so one aim of the reforms is to attract capital back into the country.

However, the changes seem unlikely to affect the level of corporate taxation. Traditionally, Sweden has not taxed businesses particularly severely. In 1988 corporate taxation amounted to a mere 2.6 per cent of the country's Gross *Domestic Product, almost the* same proportion as in 1960.

The corporate tax rate will now fall from 57 per cent to 30 *per cent, but on balance this* will mean little real change after the 1992 corporate tax assessment. In reality, most *companies only paid 30 per* cent in tax before the reforms.

Mr Westerberg says the new system can only be a first step. What he wants to see is a real cut in the country's tax burden. Last year Sweden's total tax revenue amounted to about 56 per cent of its Gross Domestic Product, compared with the average in the Organisation for Economic Co-operation and Development countries of only *39.4 per cent. This is because* as much as 61 per cent of the country's GDP goes into public expenditure, with a particularly high level of social bene*fits amounting to as much as* 31.6 per cent of GDP. Even many Social Democrats recog*nise this must change as Swe*den prepares to join the European Community.

It will remain difficult, however, to cut Sweden's huge *public sector when so much* spending lies in the hands of local authorities, and the public services remain influenced by the country's most powerful unions and consumer groups. Reform of local authority taxation is promised by 1993.

Swedish public opinion seems ready to accept necessary change in social policy to ease tax pressures. A recent poll indicated that up to 86 per *cent of Swedes favour a society* where taxes are lower, where they can retain more of their earnings and where social benefits are restricted to those in genuine need.

Understandably, the country's politicians remain sceptical as to whether Swedes have really repudiated the universalist principles of the welfare state, and they will move with caution. However, Mr *Asbrink's tax reforms should* change deep-rooted attitudes and help to bring Sweden more into line with western Europe.

Clive Cookson on revelations about how galaxies are formed

Bang goes a theory of the universe

We live in an unexpectedly lumpy universe. Everyday objects are lumps of matter, and astronomers have known for centuries that outside the earth, matter joins together on an increasingly large scale to form planets and stars, which cluster into galaxies.

This week Nature, the leading scientific journal, publishes a paper proving that the galaxies themselves are distributed very unevenly through the universe. They are clumped not only into small clusters but also into "superclusters" and "filaments" hundreds of millions of light years long – that is 100m greater *than the distance from the sun* to the nearest star.

Nature calls the paper "sensational" because it demolishes the standard theory of the way stars and galaxies formed after the Big Bang – the cosmic explosion about 15bn years ago which gave rise to the universe. This theory, known as the cold dark matter model, cannot account for the existence of structures such as *superclusters*.

"The cold dark matter theory has worked extremely well on small scales, accounting for origins of galaxies, but it appears to fail completely on a large scale," says Dr Will Saunders of Oxford University, who led the Anglo-Canadian research team. "This really has put theoreticians in a quandary, because for the first time in more than a decade they do not have a single theory to explain the structure of the universe."

'The cold dark matter theory appears to fail on a large scale'

Dr Saunders and his colleagues *(from Queen Mary and* Westfield College, London, and the universities of Durham and Toronto) are not the first to detect multi-galactic structures. The most spectacular, the Great Wall, was discovered a year ago by Margaret Geller and John Huchra of the Harvard-Smithsonian Centre for Astrophysics; it is a continuous sheet of galaxies running through the universe for 500m light years.

What makes the Anglo-Canadian galaxy survey so significant is that it covers the whole sky. The lumpiness extends in every direction. Some adherents of the cold dark matter theory had tried to explain away features such as the Great Wall in terms of random fluctuations.

The Anglo-Canadian astronomers say *their* survey invalidates such explanations by its comprehensiveness. "This disavowal of cold dark matter is all the more remarkable for coming from a group of authors that includes some of the theory's long-time supporters," comments David Lindley, associate editor of Nature.

The raw material for the survey was collected during 1983 by the Infrared Astronomical *Satellite, a £200m collaborative* project between the Netherlands, US and UK. From its orbit 500 miles above the earth's obscuring atmosphere, Iras sent back data on 15,000 galaxies. The fact that it has taken seven years to reach the conclusions published this week shows that the time-consuming part of modern astronomy is not making the observations but analysing them to *draw out significant patterns.*

The Anglo-Canadian astronomers selected from the Iras survey a random sample of 2,000 galaxies covering virtually the whole sky. Then they used optical telescopes (the Isaac Newton and William Herschel observatories in the Canary Islands and the Anglo-Australian telescope in the southern hemisphere) to measure the "red-shift" of each galaxy; this reveals its distance from the earth.

The ground-based observations took place from 1986 to 1988. Two more years of mathematical analysis were then required to produce three-dimensional galaxy maps and draw conclusions from them. The group expects to draw on the Iras survey to publish a stream of further scientific papers during 1991 and beyond.

This research does not invalidate the Big Bang, which is still accepted by most cosmologists as the best theory for how the universe started. The evidence for it – including background radiation coming evenly from all directions of the sky, which is believed a distant echo of the original fireball – is overwhelming.

But astronomers are now left floundering for an explanation of how the energy released from the Big Bang coalesced into matter and eventually into the lumpy universe we see today. All simple theories predict an essentially smooth and random distribution of galaxies on a scale of 100m light years or more.

Most physicists yearn for simple and elegant explana*tions, says Professor Martin* Rees, a leading astromer at Cambridge University. "I differ from them in that I think it's naive to expect a simple model to explain galaxy formation. A lot of people get very upset if the simple model does not work. I feel excited rather than depressed."

Dr Saunders, on the other hand, believes that a new simple theory will emerge. "It's not at all clear how the cold dark matter model can be bent to take account of the new observations, because it doesn't have any free parameters to tweak. But I think someone will come up with a brilliant lateral leap of logic."

The latest observations leave astronomers uncertain not only about the way galaxies formed but also about what matter actually exists in the universe today. The visible matter – galaxies and intergalactic dust – accounts for less than 10 per cent of the mass of the universe, and perhaps as little as 1 per cent.

The so-called "missing mass" – which many astronomers believed was the same as "cold dark matter" – is now more of a mystery than ever. Some of it may consist of gas or small cool stars that are too faint for astronomers to detect even with the most sophisticated instruments. According to this theory, the universe is swarming with a myriad of invisible bodies rather like the planet Jupiter.

But astronomers prefer to believe that most of the missing mass consists of matter of a quite different sort, perhaps of subatomic particles left over from the Big Bang, which interact only very feebly with ordinary matter and are therefore very difficult to detect.

Theoreticians have proposed many exotic particles as candidates to make up the missing mass: heavy neutrinos, Higgsinos, gravitinos, axions and photinos, to name but a few.

The so-called 'missing mass' is now more of a mystery than ever

Yet another possibility is that there may *not* after all be any missing mass. George Efstathiou of Oxford University, of the Anglo-Canadian team, proposed last month that the "cosmological constant", which was proposed and then dismissed by Einstein 70 years ago, should be re-invented to explain away the mystery.

Although the $2bn Hubble space telescope launched last year has been partially crippled by its incorrectly ground mirror, it is beginning to produce useful observations. There is now a sense of intense excitement among astronomers and cosmologists – and a feeling that the shattering of accepted theories may be the prelude to a new explanation of the lumpy universe.

LETTERS

It may be time to call on the auditor-general

From Mr E.D. Berman.

Sir, A number of your correspondents and recent letter writers have asked: "Where can the creditor find justice when the government and the European Commission are at *fault?" I have great sympathy* for and, indeed, experience concerning this predicament.

Inter-Action Trust, the educational charity, was the first UK agency to receive an EC grant back in the 1970s. This grant, with its 18-month payment-in-arrears, left us stricken. To think that things have not improved in 15 years!

Four points arise:

● Delays of this sort would not be tolerated in, or by, the private sector. There would be rapid legal action.

● Although the EC is no lon*ger the main culprit, it must do* its job better. For example, it could live up to its word on timely payments. It could also set conditions on those payments to member states. One of these could be that payment will be made to member states upon presentation of copies of the letters which will accompany the cheques to client groups.

● Regrettably, the main culprits now are the treasury and the department of employment. Perhaps the latter is under*staffed? The minister in charge* could be asked to rectify this.

● As for justice, luckily there is a remedy in our system. The charities involved could ask the auditor-general to investigate this matter in regard to the treasury and the department of employment. He should be asked to examine both if maladministration is involved, and whether the accrued interest has been dealt with in a proper way.

E.D. Berman,
chief executive, Inter-Action,
Victoria Embankment, EC4

A word for private shareholders

From Mr Roland Hummerston.

Sir, While an expression of opinions on Taurus (Lex, December 27) other than those of the International Stock Exchange is to be welcomed, it is with regret that once again no mention is made of the interests of the private shareholder.

The ISE's persistence that *speedier settlement must go* hand-in-hand with dematerialisation has been a significant cause for the much quoted pursuance of "sectional interests and narrow-minded infighting". The listed company and its private shareholders, many of whom, it has to be admitted, are at this late stage still Taurus-ignorant, have every right to be grieved at having Taurus and its associated costs levied upon them by those who will benefit most but appear unwilling to put their money where their mouths are.

Like many others, I am a private shareholder of a listed company whose vast majority of shareholders are private individuals, but where the vast *majority of the company's* shares are held by institutional corporate holders. These will, no doubt, vote through the necessary changes to the company's Articles at a future AGM.

Roland Hummerston,
11, Lansdowne Court,
Churchfields,
Broxbourne, Herts.

A cathedral as a marketing ploy

From Mr Jeremy Wallington.

Sir, Colin Amery's article ("Why not a cathedral for all faiths?", December 10) could have implications for business as well as God.

As chairman of a Docklands-based media group, and founder of the catalytic Limehouse TV Studio on Canary Wharf, I find it sad that further development of Docklands is not being tackled with the imagination and thrust that characterised the early days.

The Royal Docks should be *seen as the site of a new capi*tal city for the burgeoning south-east, not simply as an extension of London. Cities need cathedrals. An ecumenical cathedral, built in the Royals as Britain's celebration of the year 2000 and symbolising the desire to remove the reli*gious differences which* threaten to divide us well into the next century, would be a wonderful achievement – and *excellent marketing.*

Jeremy Wallington,
chairman, Wallington Irving Jackson Ltd,
Millharbour, West India Docks

Putting the record straight on de Gaulle

From D.R. Watson

Sir, Jurek Martin's interesting survey ("By fair means or foul play", November 27) of the fall of leaders in leading democratic states in recent years contains one error which should be corrected.

He states that President de Gaulle fell "after winning a vote, in his case a referendum, less than overwhelmingly". In fact the referendum of April 22 1969, which produced de Gaulle's resignation the next day, was a decisive defeat for him: only 46.8 per cent of the votes cast were in favour of his proposals, with 53.1 per cent against.

The comprehensiveness of France's rejection of the general's proposal can be underlined by a geographical analysis, which shows that 71 departments voted against him, with only 24 in favour. There can be no doubt that if he had gained a majority, even a small one, de Gaulle would have persisted in pushing through what he regarded as a vital change in French institutions.

Your correspondent was no doubt thinking of events at an earlier stage, namely the elections of June 1968, which gave a decisive victory to the conservative parties, although not to de Gaulle personally. As president, he was not concerned in a precise sense, although a defeat then would have been an unacceptable political blow to his position.

Interestingly enough, at that *time* de Gaulle had first wanted to call a referendum rather than parliamentary elections until persuaded to change his mind by the men in grey suits of his entourage.

D.R. Watson,
department of modern history,
University of Dundee

West should meet East at least halfway if cultural barriers are to go

From Mr Nigel Campbell.

Sir, The cultural barrier faced by Japanese companies in their international operations is already being partly overcome ("Industry hits a cultural barrier", December 5). Japanese companies are establishing design and engineering centres overseas, creating international alliances and making acquisitions, but more fundamental is their strategy to create a pool of international Japanese managers. In-company language and cultural training is increasing, more young Japanese are being sent to MBA programmes overseas; and some senior managers are becoming permanent expatriates.

This strategy is essential because the competitiveness of Japanese companies depends on the close personal communications of an in-group, who know each other well and know how best to get things done. Complex flows of information have to be co-ordinated to achieve manufacturing and distribution efficiency. An in-group of managers can make adjustments quickly and flexibly. To assist this, many companies are setting up global electronic *networks* to speed up the exchange of information and lower the costs.

The senior Japanese managers *in overseas subsidiaries*, and the "shadows" attached to non-Japanese managers, may be costly, but without them co-ordination *could* break down and they do add to the pool of managers with overseas experience.

We should not criticise this policy; it is the natural and logical thing for Japanese companies to do.

A greater role for non-Japanese managers can only come when more of them speak Japanese, accept the long work hours and show sufficient commitment to become part of the in-group. In other words more "Japanised" foreign managers are needed, and only when they emerge can the cultural barrier be eliminated.

Nigel Campbell,
senior lecturer in strategy,
Manchester Business School,
Booth Street West, Manchester

FINANCIAL TIMES
Friday January 4 1991

Consul general Aryeh Levin raises the Israeli flag in Moscow yesterday

Israeli consulate reopens in Moscow

By **Quentin Peel** in Moscow

THE blue-and-white Star of David fluttered again over the former Israeli embassy in Moscow's Bolshaya Ordinka Street yesterday as it was reopened as a consulate-general.

The ceremony marks the first step towards restoration of full diplomatic relations between Israel and the Soviet Union, broken off after the 1967 Six Day War.

"We are an embassy in all but name," Mr Aryeh Levin, the first consul-general, said after the opening. The consulate will deal with commercial ties as well as visas. As for political relations, "we have a gentleman's agreement with the Soviet Union that we will meet at the diplomatic level, in spite of the fact that we are just a consulate".

Officially, however, the Soviet Union has insisted that Israel back a Middle East peace conference, before full relations can be restored, although Mr Eduard Shevardnadze, the Soviet foreign minister, appeared to relax that precondition in his last statement.

There is no doubt, however, that the prime function of the consulate will be to process the flood of Jewish emigration applications from the Soviet Union. Soviet Jewish emigrants to Israel topped 200,000 last year, and are expected to reach double that figure in 1991, Mr Levin said.

"There are 1,500 people standing outside the gates every day of the week," he said. They were not simply fleeing the growing economic and social chaos in the Soviet Union, but also genuinely seeking to rediscover their cultural heritage in Israel.

"In spite of the fact that they know the difficulties in Israel, they are still going there," he said. He rejected the accusation by Gen Vladimir Kryuchkov, head of the KGB, the Soviet security service, that there was some sort of conspiracy to cause a brain drain.

"We are not sending people across the country to propagate," he said. "The brain drain was as important 10 or 15 years ago as it is today. If the Jews who are going now had a different feeling towards the Soviet Union, they would not be going."

The consulate currently has six staff, who will begin issuing visas from today, but it expects rapidly to build up numbers to full embassy size.

Mr Levin said that direct flights between Moscow and Tel Aviv would begin before the end of the month. But the Soviet Union is refusing to allow Jewish emigrants to buy tickets until the Israeli government made a formal statement saying they would not be settled in the occupied territories.

Mr Levin said he thought the Soviet request unnecessary because several government ministers had already given assurances on the matter.

Germans favour a low profile in world affairs

By **David Marsh** in Bonn

THREE-QUARTERS of Germans believe that their country should keep out of international conflicts, according to an opinion poll published today which highlights the reasons behind Bonn's low-key role in the Gulf crisis.

The opinion poll, the most wide-ranging survey of German attitudes since unification three months ago, shows that Germans firmly reject any new international role for the united country.

Asked whether Germany should intervene in international crises, 75 per cent of respondents in east and west replied that Germany should keep out, while only 25 per cent favoured some form of involvement. The desire for non-interference was particularly marked in east Germany, where 78 per cent favoured non-intervention, against 74 per cent in the west.

The responses suggest that the new Germany will be more inward than outward-looking. They underline why the German government is not only taking a back seat role over the military build-up in the Middle East, but has also been cool about taking a higher world profile, for instance through a permanent seat on the UN security council.

The survey, carried out by Infratest for the Süddeutsche Zeitung newspaper, indicates that most Germans believe good relations with the Soviet Union should take priority over ties with the US.

The report backs up the widespread belief that, with the ending of the Cold War, people in the united Germany see the country's political role as equidistant from east and west, despite membership of Nato.

A total of 59 per cent of people in the two halves of the country want "particularly close relations" with the Soviet Union, against only 44 per cent desiring the same for the US. The wish for rapprochement with Moscow is particularly strong in western Germany, where nearly two-thirds favour this goal, against 46 per cent east of the Elbe.

In findings which are likely to cause concern in Tel Aviv, the report suggests that only 4 per cent of Germans favour close relations with Israel. Partly because of Israel's intransigence over the Palestinian question, as well as the legacy of 40 years of anti-Zionist propaganda east of the Elbe, 32 per cent of Germans believe Bonn should now downgrade its warm post-war ties to the Jewish state.

Close links with France were seen as important by 36 per cent of respondents. Relations with Britain were seen as a priority by only 12 per cent.

Soviets agree economic plan

Continued from Page 1

The deal is supposed to keep economic relations going pending the signing of a full-scale new Union Treaty.

Tass news agency said representatives of all republics attended, suggesting that even Lithuania sent somebody, although possibly merely as an observer.

Mr Anatoly Gorbunovs, the Latvian president, attended for his government, announcing that he was seeking a separate meeting with Mr Gorbachev to protest at the action of Soviet Interior Ministry troops in seizing the main newspaper printing house in the republic.

Tension in Latvia is running high after a series of minor bomb blasts, described by the government as deliberate acts of provocation by pro-Soviet forces, and now the paramilitary action in seizing the Communist party print works.

Mr Gorbachev also announced that his newly elected vice-president, Mr Gennady Yanayev, would chair a committee to nominate members of the new cabinet of ministers, which will replace the present council of ministers.

"Continuity and renewal will be the motto," Mr Gorbachev said, looking tired but attempting cheerfulness. "We want to keep some old people and bring in some new people."

THE LEX COLUMN

The pressure of the deadline

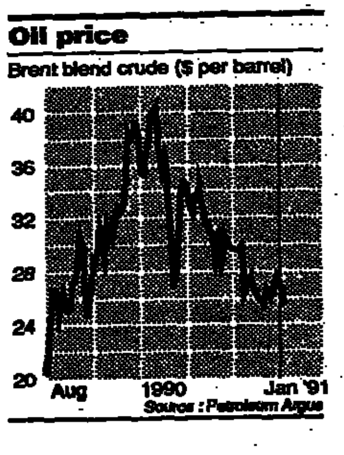
The year has begun with a curious instance of market inconsistency. Equities on both sides of the Atlantic are weak, at least partly because of heightened anxiety about the Gulf. But the oil price has fallen by almost 10 per cent in two trading days to its lowest since the onset of the crisis last August. Given its intimate involvement, the oil market is probably the better guide. The equity markets have nothing materially new to worry them, either on the Gulf or on recession. But the start of the year is an appropriate time to brood on such matters, especially as the UN deadline draws closer.

It would be nice to think of the London market as engaged in the mirror image of its false start last year, when it rose 40 points in the first two trading days and then promptly fell by 15 per cent. But the approach of the UN deadline has the markets mesmerised. Trading volume has fallen to a trickle worldwide and seems likely to stay that way.

Nevertheless, the London market should bear in mind another curious anomaly. The UK chancellor's relentless gloom seems to be achieving the desired effect on the foreign exchange markets. At its close of DM2.906 sterling is more than six pfennigs clear of its ERM floor and within striking distance of leaving the franc as the system's weakest member. Much more of this and a base rate cut might be achievable after all.

Oil price

Brent blend crude ($ per barrel)



Source: Petroleum Argus

US banks

There is nothing new about populist politicians in the US taking a swipe at bankers. The practice goes back at least to Andrew Jackson. At a time when the New England banking system is flat on the canvas, thanks to the deadweight of billions of dollars of bad real estate loans, it was in character this week for an incoming Democratic governor in Rhode Island to make a local sensation by shutting 47 banks, albeit temporarily. Whether the affair is more than demagoguery is another matter. Something similar happened to 71 state banks in Ohio in March 1985, when the near-failure of Continental Illinois was still a recent memory. That crisis failed to bring down the US financial system. The shenanigans in Rhode Island, a state with only one million inhabitants, may prove no more serious.

Is that too complacent a view? Perhaps. The Rhode Island governor could argue he is giving the people what they want: radical solutions to the woes of the nation's over-geared, under-managed banks. Given that the Federal Deposit Insurance Corporation reckons bank failures nationwide could cost it $14bn in 1991, nearly exhausting its funds, the fact that there is a crisis is not in doubt. But the Rhode Island episode may indicate that between them the banking industry and the US authorities are in danger of being overtaken by the strength of public anger about the bankrupt savings & loans and now some precariously positioned banks. Hence the likelihood that the Fed will continue easing monetary policy in an effort to calm the situation.

Stores

This week's trading statements from Boots, Storehouse and Ratners confirm the impression of a mildly disappointing Christmas for UK retailers. Given that expectations were pretty modest in the first place, the suspicion is that the industry's troubles could deepen yet. Last year's rally in retailing stocks looks increasingly premature. In spite of having since been partly reversed, it has left the sector 12 per cent up against the market over 12 months.

The mistiming was largely the result of undue optimism over interest rate cuts. The premise may have been mistaken in more ways than one. It is true that the industry first hit big trouble when base rates went to 15 per cent 18 months ago, with the effects being felt first by retailers serving highly borrowed sectors of the population. But the damage then spread as growth in real incomes came under pressure across the economy. It seems clear that consumer spending will be one of the first elements of the economy to recover: it is also likely that those retailers relying on the highly-geared consumer will recover earlier than the rest. But the extent of the recovery should be treated with caution.

The fundamental difficulty was neatly illustrated by Ratners yesterday. Its like-for-like sales over Christmas rose by well over 10 per cent. Its costs were up by more again. The industry is still bedevilled by rising costs, whether of labour or of occupancy. Sufficient growth to solve the difficulty is not on offer.

FNFC

The implications for the UK economy of yesterday's results from First National Finance Corporation are not cheerful. The experience of the UK's biggest independent supplier of consumer credit suggests the current recession is deeper and wider than that of the early 1980s. In terms of the housing market it may be worse than the mid-1970s. But if that is cold comfort for borrowers, FNFC itself should weather the storm. In spite of the apparently ugly addition of £38m of provisions, there are reasons to be moderately cheerful: the maintained dividend, for a start. The difficulty is that even the most cautious optimism is unlikely to be rewarded with much in the way of share price performance.

Given FNFC's £1.8bn loan book – up more than 12 per cent over the year – and its front-line exposure to the ranks of distressed mortgage borrowers, the provisions are hardly alarming. If, as seems likely, property valuations on a forced sale basis are tending to understate market values, the group may yet be able to write back some of the amount. However, that assumes a sharp fall in interest rates and a bounce in market confidence. Although the residential property market appears to have been steadying in recent months, there is still plenty of room for bad news if interest rates stay high or move higher.

A measure of FNFC's uncertain outlook is the difficulty in forecasting this year's profits. A figure around £30m suggests only £9m in the first half as well as a much higher tax charge, while earnings per share – which halved last year – may fall by a quarter again. The shares presently yield nearly 10 per cent. Whether the dividend is sustainable is another matter.

Virgin seeks more flights into Tokyo

By **Paul Betts**, Aerospace Correspondent, in London

VIRGIN Atlantic Airways, the independent UK long distance airline, yesterday asked the British Civil Aviation Authority to grant it additional rights to fly to Tokyo's Narita airport to compete against British Airways.

Mr Richard Branson, Virgin chairman, warned at a public hearing in London that the survival of the airline's London to Tokyo service depended on Virgin gaining greater access to Narita.

The case is regarded by the airline industry as significant because it could set a precedent for the way slots are allocated to UK airlines at congested airports.

It is also the first time the CAA has been asked to arbitrate on the share of capacity availiable to UK carriers at overseas airports.

BA rejected Virgin's attempt to force it to hand over some of its slots to its smaller rival and has asked for the application to be rejected.

Virgin currently flies four times a week to Narita.

The CAA is expected to make a ruling in the next few days.

Under the current bilateral agreement between the UK and Japan, British carriers have a total of 38 slots a week at Narita. BA holds 30, the others being held by Virgin. Mr Branson is seeking an additional eight slots.

Mr Branson said that the only way Virgin could be sure to survive on the London to Tokyo route was to compete on a more equal footing with BA

He argued that Virgin not only provided additional competition for travellers on the London-Tokyo route, but was also the only long-distance UK carrier competing against BA.

A group of East Providence Credit Union customers wait outside one of the company's offices following the closure earlier this week of 45 financial institutions in Rhode Island. Pledge over Rhode Island credit unions, Page 3

Irish terrorist suspect, wanted by UK, dies in apparent suicide

By **Jimmy Burns** in London

PATRICK SHEEHY, one of Britain's most wanted terrorist suspects, has been found dead in the Irish Republic.

The body of the 30-year-old Irish-born plasterer who became an Irish Republican Army "volunteer" was found on Wednesday close to two Republican monuments in Nenagh, County Tipperary, 100 miles from Dublin, with a single bullet shot through his temple. A pistol lay nearby.

Local police said there were no suspicious circumstances although the motives behind the apparent suicide remained shrouded in mystery.

Sheehy did not belong to the command structure of the IRA and had no criminal record or known terrorist links until his fingerprints were found in an IRA bomb factory in south London in December 1988.

Security sources indicated that Sheehy's death fell well short of a major breakthrough in the fight against the IRA. They played down his reported key involvement in bomb attacks in the UK over the last year, and suggested that he may have been living in the Irish Republic at the time when some of these incidents occurred.

Nevertheless Sheehy had been linked by British police to a series of IRA operations both in Britain and on the Continent over the last three years and is believed to have been directly involved in a bomb attack on an army barracks in London in August 1988 when a soldier was killed.

Britain's anti-terrorist squad matched Sheehy's handwriting with that which appeared on a hit list of more than 100 prominent people during the raid on the south London bomb factory.

The IRA yesterday issued a statement in Dublin confirming with "deep regret" that the body found in Nenagh was "one of our members, Volunteer Patrick Sheehy".

It added: "There are no further details available at the moment. The circumstances of his death are still being investigated."

The statement appeared to rule out that Sheehy had been killed either by the security forces or by his own colleagues. However, there was speculation from Republican sources that Sheehy may have been the victim of an internal IRA feud.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Berlin	C	8	46	Caracas	C	27	81	Faro	S	14	57
Algiers	S	19	66	Biarritz	S	17	63	Casablanca	C	15	59	Florence	C	11	52
Amsterdam	F	9	48	Bombay	S	23	73	Chicago	S	-18	0	Frankfurt	R	10	50
Athens	S	14	57	Bordeaux	C	13	55	Cologne	C	7	45	Geneva	S	10	50
Bahrain	F	15	59	Boulogne	F	9	48	Copenhagen	S	6	43	Gibraltar	F	16	61
Bangkok	F	33	91	Brussels	C	9	48	Corfu	S	14	57	Glasgow	F	3	37
Barcelona	S	14	57	Budapest	C	7	45	Dallas	C	-1	30	Helsinki	Sn	0	32
Beirut		-	-	Buenos Aires	F	30	86	Dublin	S	4	39	Hong Kong	C	19	66
Belfast	Sn	1	34	Cairo	F	20	68	Dubrovnik	S	14	57	Innsbruck	F	5	41
Belgrade	C	7	45	Cape Town	S	23	73	Edinburgh	R	3	37	Inverness	R	2	36

		°C	°F			°C	°F			°C	°F			°C	°F
Islamabad	[illegible]	[illegible]	[illegible]	Madeira	F	19	66	Milan	C	0	32	Nicosia	F	17	63
Istanbul				Madrid	C	3	37	Montreal	S	-17	1	Oporto	F	13	55
Jakarta	C	31	88	Majorca	F	16	61	Moscow	F	-8	18	Oslo	F	1	34
Jersey	R	9	48	Malaga	S	15	59	Munich	C	12	54	Paris	R	11	52
Johannesburg	F	26	78	Malta	F	15	59	Nairobi		-	-	Peking	S	-2	28
Lima	F	25	77	Manchester	F	6	43	Naples	F	14	57	Prague	F	10	50
Lisbon	S	6	43	Manila	C	32	90	Nassau	F	28	82	Reykjavik	F	3	37
London	F	8	46	Melbourne				New Delhi	C	14	57	Rhodes	F	15	59
Los Angeles	R	13	55	Mexico City	F	24	75	New York	S	2	36	Rio de Janeiro	F	29	88
Luxembourg	Dr	9	48	Miami	S	21	70	Nice	S	15	59	Rome	F	13	56

		°C	°F			°C	°F
Salzburg	C	9	48	Tenerife	S	20	68
San Francisco	C	6	43	Tokyo	S	10	50
Seoul	Sn	-2	28	Toronto	C	-7	19
Singapore	R	28	82	Tunis	S	15	59
Stockholm	C	4	39	Valencia	S	14	57
Strasbourg	C	11	52	Venice	C	4	39
Sydney	C	30	86	Vienna	F	14	57
Taipei	C	23	73	Warsaw	S	9	48
Tangier	F	16	61	Washington	F	1	34
Tel Aviv	F	18	64	Zurich	F	10	50

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Friday January 4 1991

INSIDE

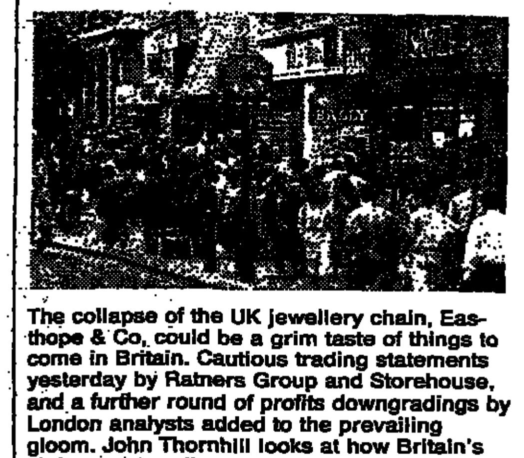
Logica restructures operations in US

Weakness in the American market for computing services has forced further job losses at the US subsidiary of Logica, one of the UK's largest software houses. Logica revealed yesterday that 80 jobs out of some 580 would be shed in North America as part of a restructuring programme designed to return the subsidiary to profit later this year. Page 19

Gemina in early lead

The ending of the stockbrokers' monopoly in Italy has led to a race to set up a new breed of financial services companies. In the lead is Gemina, a Fiat affiliate, which is setting up a new stockbroker-cum-fund manager in a joint venture with Crédit Lyonnais. Haig Simonian reports. Page 18

Retailers ring in a grim year

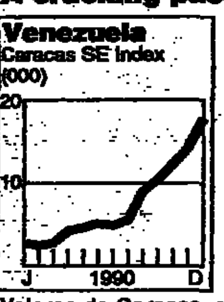


The collapse of the UK jewellery chain, Easthope & Co, could be a grim taste of things to come in Britain. Cautious trading statements yesterday by Ratners Group and Storehouse, and a further round of profits downgradings by London analysts added to the prevailing gloom. John Thornhill looks at how Britain's high street retailers are struggling for survival amid rising costs and the sharpest fall in sales growth for a decade. Page 19

SA banks face rationalisation

New South African legislation will make life tougher for the domestic financial services sector. The Deposit-Taking Institutions Act aims to reduce the differences between banks and building societies and bring capital adequacy requirements into line with the Basle rules. Underpinning the new Act is the desire for a more stable banking system, with better risk management. It will lead to a speeding up of rationalisation plans already under way. Philip Gawith reports. Page 17

A cracking pace



The Caracas Stock Exchange astonished investors and analysts in 1990 by showing the largest gains, even in dollar terms, of any of the world's markets. As Venezuela's oil-driven economy began to pull out of a severe recession in 1990, the index of this small exchange, known as Bolsa de Valores de Caracas, soared 543 per cent, rising from 2,754 on December 29, 1989, to a high of 17,701.80 on December 28, 1990. Joe Mann reports. Page 32

New Zealand retribution

Countless New Zealand investors, ruined in the October 1987 stockmarket crash, are now scenting retribution. Particular recrimination is aimed at former corporate high flyers who continue to live in style following the collapse of their companies. Faced by the apparent inability of the courts to bring wrong-doers to book, the government has now set up a Serious Fraud Office. Page 17

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachener Mu	690	+	35
Beiersdorf	752	+	12
Linotype	755	+	30
Falls			
Altana	465	–	10
Badenwerk	218	–	4
Varta	289	–	4

NEW YORK ($)

Rises			
IBM	113	+	½
the Limited	19	+	⅝
Falls			
A & W Brands	32⅞	–	2⅛
Calgon Carbon	39¼	–	2
Healthdyne	8	–	2⅝
Philip Morris	50	–	¾

PARIS (FFr)

Rises			
Air Liquide	625	+	19
Chargeurs	660	+	22
GTM-Entrepose	329	+	25.1
Matra	228	+	11.5
Schneider	659	+	37
Simco	555	+	22

New York prices at 12.30. Tokyo closed.

LONDON (Pence)

Rises			
GRE	187	+	8
Pittard Garnar	55	+	12
Ratners	165	+	7
Falls			
BP	328	–	7
Frogmore	304	–	12
Goldsmiths	33	–	3
Ibstock J'sen	95	–	4
Logica	160	–	7
Prudential	189	–	6
RMC	623	–	20
RTZ	430	–	18
Redland	555	–	10
Shandwick	48	–	2
SmKline Bcham	617	–	12
Standard Chart	247	–	7
Storehouse	342	–	9
Tarmac	235	–	6

Arbed warns of sharp fall in profit

By Lucy Kellaway in Brussels

ARBED, the Luxembourg steelmaker, has warned that its profits for 1990 will be well below the record profit of 1989, hit both by the crisis in the Gulf and by the slow down in the steel sector.

The warning, carried in the company's magazine "Arbed News", comes just after the announcement that a planned merger of its flat-steel making division with Cockerill Sambre, the Belgian steelmaker, had fallen through.

Mr Georges Faber, the company's president, said that Arbed had been caught out by a fall in the prices of almost all steel products.

This had started at the beginning of the year, but by the fourth quarter the declines had become unduly marked – more so than had been generally predicted.

The problem, he said, was less a marked fall in demand for steel, than producers' competitive efforts to outbid each other. Although Mr Faber did not hint at the level of profits for 1990, analysts are expecting a figure of some LFr6.5bn ($211m) after tax, compared with almost LFr10bn last year.

Arbed has also been hit by the beginings of recession in the car industry – its second most important market by sector – and by the problems in the electronics and computer industry, which have made life difficult for its recent acquisitions.

For the first quarter of this year, Mr Faber painted an uncertain picture for Europe's steel industry, although he pointed out that everything would depend on events in the Gulf and other political decisions outside the company's control.

In spite of these problems Mr Faber expressed some confidence in his outlook for 1991.

He said the company's production had increased by 9 per cent in December as part of a policy of increasing the production of a few products whose prices had been least affected by the economy.

Most of these are beams for the building sector.

The company is still hoping to form other alliances with steel producers in neighbouring countries – the German steel producers are thought to be a favourite.

This would allow Arbed to increase its strength in a market where it is an advantage to be large.

Mr Faber said that as the steel industry was getting more and more international, it was essential for a company such as Arbed to form alliances with its neighbours in order to influence the market, rather than to be at its mercy, as at present.

Dalborg to be new head of Sweden's state-run Nordbanken

By Robert Taylor in Stockholm

MR Hans Dalborg was appointed chief executive of Nordbanken, Sweden's state-controlled commercial bank yesterday, following the forced resignation of the board just before Christmas.

Mr Dalborg, 49, is currently deputy chief executive at Skandia, Sweden's largest private insurance company. He replaces Mr Rune Barneus, who left shortly before the government changed the board.

A special Nordbanken shareholders meeting will be held on January 18 to ratify the appointment and that of Mr Bjorn Wahlström, head of the state-owned steel company Svensk Stal AB, as the new chairman.

The government has chosen a new board, including the former finance minister Mr Kjell-Olof Feldt.

The upheaval at Nordbanken stems from its deteriorating financial position. There were heavy losses on loans made by the old privately-owned Nordbanken before its merger in April 1990 with the state-owned PKbanken. The merged bank, 71 per cent state owned, was run by Mr Barneus, chief executive of the old Nordbanken.

In late November the merged bank announced its profits forecast for 1990 had been scaled down to SKr2bn ($356.5m) from SKr3.2bn due to loan losses. Provisions of around SKr3bn have been made against losses.

Mr Barneus resigned two weeks ago after a critical report from Sweden's Bank Inspection Board on Nordbanken's loan losses.

The Ministry of Finance was alarmed at what it saw as the lack of control exercised by Nordbanken's board over the former president.

From the late summer the board had grown increasingly concerned about loan losses, though it continued to support Mr Barneus. The bank was particularly hurt in the autumn by growing trouble among its finance company customers – notably Nyckeln, now bankrupt, and Mobilia.

Mr Dalborg, the new chief executive, said yesterday that Nordbanken would have to cut costs, and jobs would be lost.

"We shall not have more resources than our customers need," he said.

● Skandinaviska Enskilda Banken, Sweden's largest commercial bank, has acquired Den norske Bank's 20 per cent stake in the German-Scandinavian Bank, based in Frankfurt. SEB now owns 100 per cent.

Debtors sign up for intensive care

UK banks are braced for soaring provisions and an influx of troubled clients, reports David Lascelles

When Sir John Quinton, the chairman of Barclays, the UK's largest bank, warned this week that UK banks might have as much as £2bn ($3.89bn) of bad debts on their hands this year, he was, if anything, understating things.

City analysts have been warning for some months that the UK recession was taking a heavy toll on bank profits. Many of them have produced bad debt forecasts well above Sir John's. Mr Michael Lever at Smith New Court, for example, thinks the total could be over £3bn. "The banks are hoping that provisions in 1991 will be the same as in 1990. But we think the economy will be worse this year," he says.

Soaring provisions are only part of the cost of recession as far as the banks are concerned. Dealing with the fast-growing number of troubled companies is itself a major task, and they have been bracing themselves for heavy demands from clients.

Mr Rodney Baker-Bates, managing director of UK banking at Midland Bank, estimates that a problem client requires between five and 10 times as much work as a healthy one. "It's a question of resources," he says. "It takes a lot of time and people."

These problems are not new for banks, of course. They gained a lot of experience during the last recession in the early 1980s. The intensive care units which they set up then to nurse the worst cases back to health were never completely closed down. But the years of the lending boom in the middle of the decade have made things much worse, bankers say.

Mr Sidney Shore, general manager of corporate banking at Lloyds Bank, says: "The market got totally out of kilter. There was a vast oversupply of lending." He lists three common characteristics of companies which have got into trouble in the last six months. They borrowed too much, they were doing business with too many different banks, and they placed too much reliance on short-term money.

The tell-tale signs of trouble are when a company starts making heavy use of its credit lines, and bumping up against the limit. Management becomes less communicative, and information begins to deteriorate. Another bad sign is when a company starts issuing a regular flow of cheques for round sums; that suggests it has done a deal with a creditor to pay off a big debt.

Eventually, the banks may have to step in. The usual procedure is to commission an auditors' report, and if this is positive – and in nine cases out of 10 it is – a refinancing package has to be assembled. The company will be put into an intensive care unit where specialist staff look after it for as much as three years until it can stand on its own again.

Usually, this entails the banks keeping a close eye on the company and nursing its financial condition. In extreme cases the banks become heavily involved, sharing in management decisions, approving large payments, and dealing with suppliers.

But even this has become more difficult with the large numbers of creditors that companies have these days (Polly Peck had nearly 60). This is why the Bank of England has been trying to win acceptance for procedures known as the "London Rules". These aim to create a breathing space so that creditors can assess the situation calmly.

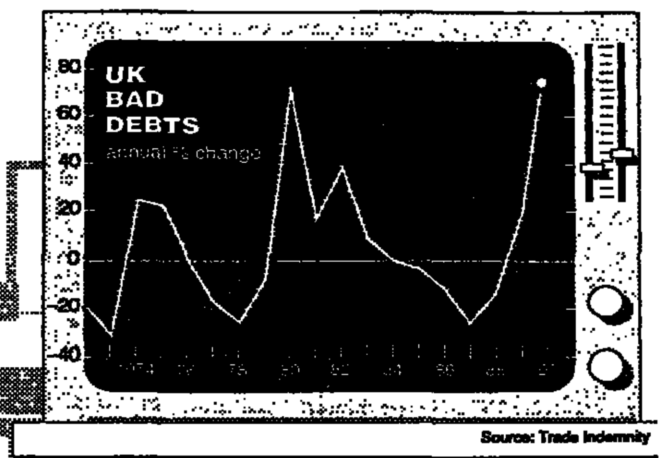
The situation has to be close to hopeless before banks call in an administrator or receiver. Although the public perception is of heartless bankers condemning ailing companies to death, bankers stress that their best chances of recovery are when companies survive. "We always start with the view: how can we help?" says Mr Baker-Bates at Midland. The new insolvency laws have also encouraged debtors and creditors to act sooner when a problem looms – and given them the means to do so with new procedures such as administration.

The clearers are wary of saying how many companies they have in their intensive care units. But numbers are clearly rising. Barclays has about 60 people in the unit, and will probably be increasing that shortly, according to Mr George Cracknell, the bank's UK business sector director. Even at its low point in the 1980s, the unit had 48 people. Lloyds Bank's unit consisted of only one person a year ago; it now has 20.

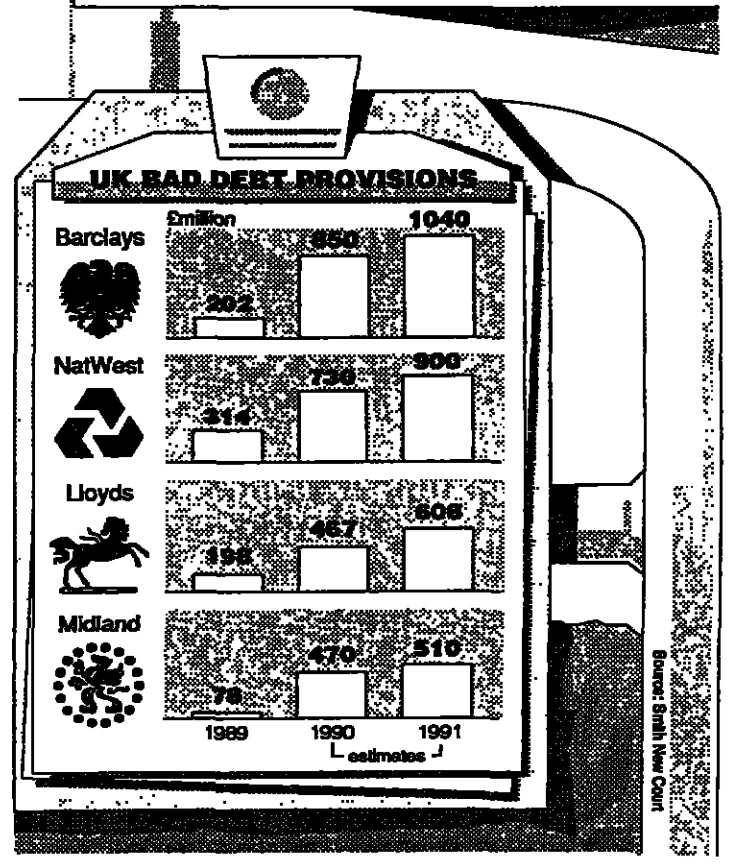
All the indications are that company failures will be worse in this recession than the last. The bad debt figures from Trade Indemnity already bear this out. While the last recession claimed only one major corporate victim – Stone Platt – this one has already claimed several: British & Commonwealth, Polly Peck and Rush & Tomkins.

Another difference is that the problem companies this time round tend to be in the service industries – retailing, media and leisure, for example – with fewer tangible assets which banks can hold as security. Even where there is land or plant, its value has probably fallen quite sharply.

Mr Cracknell at Barclays expects the first half of this year to be at least as difficult as last year. "But we might see a recovery and revival in the second half," he says. But he also stresses that the bad debt picture is far from uniform. The problems are concentrated on London and the South East with their prevalence of service industries. The more industrial regions of the Midlands and the North are holding up better.



Source: Trade Indemnity



Source: Smith New Court

Hopes rise on state support for Olivetti job cuts plan

By John Wyles in Rome

OLIVETTI'S chances of securing the Italian government's backing for an early retirement scheme to help cut its workforce have improved following the intervention of Mr Carlo Donat Cattin, the Minister of Labour, and strong lobbying by trade unions.

The company has been hard hit by the downturn in the world computer business and is trying to cut labour costs in an effort to restore competitiveness.

However, Olivetti is at odds with the unions over transitional measures to be applied before the necessary legislation could be produced to permit the early retirement of up to 3,000 employees.

The two sides will meet in Turin today to attempt to overcome union objections to the indefinite laying off of 2,500 workers from next Monday and to a rotating lay-off for 1,000 more.

Olivetti's original request for financial backing to retire up to 5,000 people was vetoed by the government in early December. The plan called for a retirement age threshold of 50 for men and 47 for women.

The company also proposed to recruit 1,000 new employees for research and development activities in the south of Italy. Recently, Giorgio Benvenuto, general secretary of the UIL, one of Italy's three trade union confederations, said that he would support the plan, adding that it should be seen as "an ad hoc measure for restructuring the computer industry and not as something for general application".

Mr Cattin has promised a legislative proposal by January 15 which would support early retirement for 3,000 Olivetti employees whose pension contributions have run for at least 30 years. However, it is far from clear whether the Minister of Labour has the authority to commit the government to it.

Mr Cattin has also told the unions that 500 former Olivetti employees could be recruited into public service jobs.

The company itself seems ready to agree to relocate a further 500 within its business.

It thus seems that any eventual agreement with the government and unions will fall well short of the cuts the company was originally looking for unless it abandons its idea of recruiting 1,000 new employees.

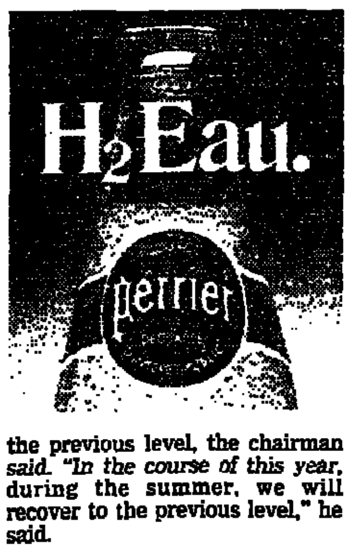
It may well be that its original target was a "political" number which it expected to negotiate downwards. In the meantime, the unions are hinting that they may encourage Mr Cattin to delay the draft early retirement legislation unless Olivetti agrees to a rotating lay-off for all 3,500 employees.

Perrier optimistic on US sales

JACQUES VINCENT, chairman of Source Perrier, the French drinks and dairy products company, said he expected Perrier sales in the US to recover by this summer to the level attained before it withdrew the product because of a health scare, writes our Financial Staff.

The company last February withdrew about 160m bottles of Perrier from its worldwide stocks after discovering traces of benzene in some of the bottled water owing to a filtration fault at the production plant.

In 1989, before the scare, Perrier sold 260m bottles in the US. The incident cut Perrier's share of the US market from 44.8 per cent to 20.7 per cent. By July the group had recovered 70 to 75 per cent of its US market share. This has improved to 75-85 per cent of the previous level, the chairman said. "In the course of this year, during the summer, we will recover to the previous level," he said.



However, Mr Vincent did not expect US sales of Perrier to surpass the 1989 level.

In an interview with a French newspaper, Mr Vincent also said that Perrier was seeking to sell its soft drink label, Pschitt.

Last May, Perrier sold three of its soft drinks brands – Oasis, Ball and Atoll – to the UK food and drinks group, Cadbury Schweppes.

Mr Vincent said Perrier intended to develop its activities in the dairy products sector, which accounted for about 32 per cent of the group's 1989 turnover of FFr17.19bn ($3.4bn).

Perrier's mineral water sales accounted for FFr8.74bn, with foreign sales representing FFr5.44bn. However, Perrier markets other brands of water in the US.

Gummer alters terms of Shandwick shares sale

By Alice Rawsthorn

MR PETER Gummer, chairman of Shandwick, the world's largest public relations group, has changed the terms of his controversial proposal to sell part of his holding in the comany.

At Shandwick's annual meeting in early December, Mr Gummer announced he would be selling 2m of his shares to a newly-created employee share ownership plan (ESOP) for 90p a share.

Yesterday, he announced he was abandoning this proposal because of "an oversight in the preparation of legal documentation". He now plans to sell 1.25m shares to the ESOP at the lower price of 51p a share.

Mr Gummer will also sell 419,000 shares at 51p to his personal pension fund. This means he will raise £851,190 rather than £1.8m ($3.5m) from the sale. The proceeds will be used to meet his capital gains tax liabilities on a sale of Shandwick shares last year.

Shandwick's shareholders responded to the original announcement with what one analyst called "an extremely negative reaction". Another analyst said the shareholders were "furious".

Shandwick's shares fell steeply in the weeks before the annual meeting because of concern about its prospects and the provisions on acquisitions in its annual report and accounts. Four days after the meeting, Shandwick announced 20 redundancies at its London PR consultancies. Its shares, worth nearly 150p a year ago and 89p on the day of the agm, fell 2p to 49p yesterday.

Several institutional investors complained about Mr Gummer's proposals arguing that the ESOP should have bought shares on the open market. S.G. Warburg Securities, Shandwick's main advisers, is also understood to have complained to the company.

However, Mr Anthony Stoddard, Shandwick's deputy chairman, said Mr Gummer's decision to change the terms of the proposed sale was not related to shareholders' reaction. He said the "oversight" in the documentation for the original proposal was "a small formality which could have been rectified" but Mr Gummer had decided to scrap his original plan "in the light of the fall in the share price".

The ESOP will also buy 50,000 shares from Mr Alan Mole, chief executive of Shandwick Asia-Pacific. It plans to buy more shares on the open market within a few months.

Mr Gummer's decision to change the terms of his share sale was seen in the City as an attempt to repair confidence in Shandwick. However, one analyst said Mr Gummer had ended up with the "worst of both worlds" in that he had "sunk Shandwick's shares but will still not raise as much as he hoped for from the sale."

Continental Can settles pension violations

By Martin Dickson in New York

CONTINENTAL Can, the large US can manufacturing company, has agreed to pay $415m to more than 3,000 former employees who alleged that Continental created a secret plan to lay off workers in a way which deprived them of their pensions.

The settlement is the largest in the history of the Employee Retirement Income Security Act, a 17-year-old measure to stop employers evading pension payments.

Continental's alleged plan dates back to the 1970s before the company was acquired by its present owner, Peter Kiewit, a privately-owned, Nebraska-based construction group.

The settlement is a major victory for the United Steelworkers of America, the union which began legal action against the company in the early 1980s.

It is also likely to act as a deterrent to other companies tempted to use lay-offs to avoid pension liabilities.

Peter Kiewit said yesterday that although the settlement amount was substantial, Continental's assets far exceeded that figure. Despite the settlement, the acquisition had been a good investment for Kiewit from a financial standpoint.

US District Judge Lee Sarokin ruled in favour of the workers in 1989, saying that for "a corporation of this magnitude to engage in a complex, secret and deliberate scheme to deny its workers bargained-for pension benefits, raises questions of corporate morality, ethics and decency which far transcend the factual and legal issues posed by this matter".

Last July, the US appeals court upheld his ruling.

Evidence produced in court alleged the company had a computer program which identified workers who were nearly eligible for expensive early retirement.

It was known as the Bell plan – an backwards acronym for "Let's limit employee benefits".

Den Danske Bank plays lone hand

Hilary Barnes on the aims of Denmark's biggest commercial bank

ACCORDING to Mr Knud Soerensen, chief general manager of Den Danske Bank, Denmark's biggest commercial bank: "We must not forget where we came from and what we are. We are a bank."

Danske has just decided to eschew the course which is being adopted by other big banks in Denmark and, indeed, in all the other Nordic countries, by which banks are forming strategic alliances with insurance companies and mortgage credit associations, with merger on the agenda when legislation permits.

"The most important thing for us is to be a bank," said Mr Soerensen. "The public must consider us to be a bank, and when customers come to us for advice, they must be confident that the advice they get is the bank's and that it is not influenced by other considerations. Perhaps this sounds pompous, but we mean it."

The bank considered making strategic alliances with Hafnia, the big insurance-based financial services group, and Kreditforening Danmark, one of the three big bond-issuing mortgage credit institutes, but finally concluded that it would be better off by retaining its independent status.

"This does not mean that we will not make bilateral agreements with other institutions. We can't live in the past and we must be able to offer the services which others have on offer. But we do not want to get ourselves enmeshed in any form of alliance," he said.

This applies not only to relations with other Danish financial institutions, but equally to relations with foreign banks, where Danske has avoided, and intends to go on avoiding, alliances of the kind which involve equity swaps.

Danske's decision means that it will be developing its own securitised mortgage credit financed by fixed-interest bonds issued by the bank on the Copenhagen stock exchange.

The advantage is that the bank will be offering mortgage loans to customers it knows and whose economy it is able to evaluate, which means that it expects to be able to minimise the incidence of non-performing loans.

It also plans to set up a life assurance company, which will handle combined life and pension savings schemes, while a deal is being negotiated with Hafnia for the sale of so-called simple insurance policies – family, house, car – through the bank's branch network. One of the arguments in favour of forming mega-financial service groups, incorporating insurance and mortgage credit associations under one umbrella, is that a big balance sheet means cheaper funding, but Mr Soerensen does not think Danske needs to worry on this account.

Its position as the biggest Danish bank, with 30 to 35 per cent of the market and a balance sheet total or over DKr300bn ($52bn), ensures its ability to obtain funding on terms which are as good as anyone else's. "It is as a bank that we are biggest, and that is how we shall market ourselves, also internationally," said Mr Soerensen.

The independence which enables the bank to decide exactly what business it will do, and with whom, is also part of the thinking behind the bank's avoidance of international alliances.

"We think that being independent, foreign banks naturally seek us out, as by doing business with us they are not helping some chain or alliance with whom they are in competition," said Mr Soerensen.

This, again, does not rule out bilateral agreements. The bank is at present negotiating a cross-border deal for transactions business with other banks, for example. Danske has sufficient size to be visible in the European market "so that we can be ourselves", said Mr Soerensen.

A factor in the bank's decision, said Mr Soerensen, is the importance which the bank attaches to getting the merger with Copenhagen Handelsbank and Provinsbanken, which took place with effect from January 1 1990, to work.

"The merger is going well, but we must get it in place, and the staff appreciate what we are doing. They want to see as much business as possible within the bank."

Wärtsilä to sell stake in Valmet paper division

WARTSILA, the Finnish diesel and sanitary equipments group, is to sell for FM322m ($89m) its 35 per cent stake in Valmet Paper Machinery, a global paper machinery leader, to Valmet Corporation, writes Enrique Tessieri in Helsinki.

State-owned Valmet, which owns 65 per cent of its paper division said that full equity ownership would enable it to obtain greater flexibility and simplify taxation and decision-making matters.

Wärtsilä, which is to merge with Lohja, a building materials and electronics group, said that it was no longer interested in building paper machines since it wanted to focus on more profitable units.

Valmet has been hit by a global downturn in the forest industry and expects its paper machinery division's net sales to taper off in 1990 to FM5.7bn from FM5.84bn in 1989. The paper machinery division generates about 50 per cent of the group's net sales.

Co-operation between Wärtsilä and Valmet began in 1987.

IMI bid for Birmingham Mint expected to succeed

By Andrew Hill in London

IMI, the international engineering group, is expected to announce victory in its £13.6m ($26.4m) hostile bid for Birmingham Mint later today, heralding the amalgamation of two of Britain's three remaining coin-minting operations.

IMI, which launched its bid at the end of October, bought further Birmingham Mint shares in the market yesterday and now claims to speak for 56.87 per cent of the engineering and electronics company's equity.

The predator should be able to declare its cash offer unconditional once yesterday's purchases are complete.

Mr Nick Paul, an IMI director, said yesterday that once the acquisition was complete the predator was likely to move its small minting operation, also based in Birmingham, to the Birmingham Mint site. IMI, Birmingham Mint and the Royal Mint are part of a consortium which makes coins for countries outside the EC.

IMI will also review the future of the new subsidiary's diversified engineering and electronics operations. Their weakening performance was the principal cause of a slump in Birmingham Mint's profits during 1989-90, when the pre-tax figure fell from £3.41m to £208,000.

Since Christmas, Birmingham Mint has put up an increasingly desperate struggle to avoid takeover. Last Friday, it forecast profits of £1.7m before tax for the current year and revealed it had been in discussions with a potential "white knight" counter-bidder. It said those talks had been called off after IMI raised its cash offer from 85p to 95p per share in the week before Christmas.

IMI now owns 38.6 per cent of Birmingham Mint's shares and has agreed to buy a further 9.86 per cent. It has also received valid acceptances representing 8.41 per cent of the equity. The increased offer closes this afternoon.

Sweeping reforms for Belgian bourse

By Lucy Kellaway in Brussels

SWEEPING reforms designed to bring the Belgian stock exchange up to date came into effect this week, breaking the long-established monopoly which stockbrokers have had over stock exchange business. Following the reforms, stockbroking firms have to be formed into limited companies which can be owned either by banks or insurance companies.

The Banking Commission, until now a fairly weak body, has been given new powers and renamed the Banking and Finance Commission, in line with its broader responsibilities.

It has been given a year to make sure that the members of the stock exchange – which currently number 128 - are in accordance with the new strict rules on capital adequacy and market structure. Under the reforms, the cost of dealing on the Brussels bourse has also come down, with turnover tax reduced to two rates of 0.7 per cent for bonds and 1.7 per cent for shares with a ceiling of BFr10,000 ($325) per transaction.

Commissions are also lower, both for private and institutional investors, although Mr Jean Peterbroeck, president of the stock exchange commission, said that the aim was to avoid the sort of suicidal competition between brokers that has resulted from reform on other European exchanges.

The new rules are being introduced just as the Belgian stock exchange has completed its second worst year of the last three decades. According to Mr Peterbroeck, the most urgent challenge facing the exchange is the fall in its revenues brought about by the slump in trading volume. In the second half of the year, turnover was between BFr600m and BFr800m a day, compared with BFr1.7bn on average in 1989.

In the medium term, he said the challenge was to prepare the exchange for the tougher European competition that would come after 1992.

A new company has been set up to replace the old stockbrokers association, now disbanded.

Its shareholders and representatives will be the new stock exchange companies.

The new Banking and Finance Commission will also have the task of ensuring that brokers stick to more onerous trading limits per customer.

Total-CFP buys operations of Petrofina offshoot

TOTAL-CFP has agreed to take over the liquefied petroleum gas (LPG) distribution activities of the French unit of Petrofina of Belgium for between FFr300m ($59m) and FFr400m, AP-DJ reports from Paris.

The French state-controlled oil company said Fina France's LPG business, which operates under the name of Finagaz, will be integrated into Total-CFP's own operations.

The French company said that the link with Finagaz will reinforce Petrofina's position in a market that is becoming increasingly competitive.

With the latest acquisition, Total-CFP remains the third-biggest distributor of liquefied butane and propane in France after Butagaz, a unit of the Royal Dutch/Shell group, and Elf Antargaz, which is a unit of the Elf Aquitaine oil group.

INTERNATIONAL COMPANIES AND FINANCE

Ruined investors see ray of hope from fraud office

New Zealand's small shareholders who lost in the 1987 crash still seek satisfaction, writes Terry Hall

NEW Zealand investors who backed entrepreneurial business executives and who were ruined in the October 1987 stock market crash, scent retribution, thanks to the setting up of the country's Serious Fraud Office.

Back in the easy money days of the 1984-87 Labour government, small investors cheered at the brilliance of the youthful entrepreneurs who made stock market fortunes overnight. They marvelled at their executive jets, luxurious homes in several countries and other signs of flamboyant spending; and borrowed to the hilt to back their companies, hoping their heroes' entrepreneurial magic would rub off.

Now the pre-October 1987 period is seen as nothing more than the latest south sea bubble. A third of the companies listed before 1987 have collapsed, been placed in receivership or statutory management, or are being wound up. Small shareholders want explanations about their lost fortunes.

This ensures protracted recriminations at company meetings such as those of the financially troubled Bank of New Zealand, which lent NZ$3bn (US$1.8bn) to business executives in New Zealand and Australia. Shareholder meetings at Elders NZ Forest Products were particularly nasty from 1988 onwards.

For decades Elders NZ Forest Products was New Zealand's biggest company, but due to an extraordinary series of intercompany borrowings involving the Rada Investment Company, it was to see its value decimated and its debt mount to more than NZ$1bn. NZFP is now a subsidiary of Carter Holt Harvey, once a much smaller rival forestry company.

Mr Geoffrey Palmer, the former justice minister and later prime minister, has long been under pressure to tighten the law to facilitate prosecutions. However, he did not act until early last year, when he funded the setting up of the Serious Fraud Office.

In the one case prosecuted at huge cost in July by the justice department, all the defendants were acquitted. These included six of New Zealand's most prominent directors, all linked with the Rada Investment Company and NZFP. The judge criticised technical aspects of the prosecution's case.

Geoffrey Palmer: under pressure to tighten law

This caused widespread public bitterness that no one would be called to answer or explain what happened to the lost money. Professionals involved in accounting for the millions lost in various crashes usually said that prosecutions would be useless as the amount of money recovered would be small and the legal bills massive.

The notable exception was the case brought by the police against Mr Robert Philpott, who took over Cory Wright and Salmon, one of New Zealand's most respected companies which supplied British, American and French executive jets to the entrepreneurial playboys flourishing in the newly-deregulated financial markets.

The court case in Wellington last month heard a complex story of lies, false accounting and how he had fooled the CWS directors. Mr Philpott was jailed for two years.

Bitterness and recrimination is focused on former high flyers who continue to live in style following the collapse of their companies. Mr Allan Hawkins, formerly of Equiticorp, is an example.

He built up a company with assets of NZ$7bn in New Zealand, Hong Kong, Australia and the UK – where interests included Guinness Peat – which collapsed early last year. Mr Hawkins still lives in his luxurious Auckland seaside mansion and maintains a high profile campaign that he was right in trying to wrest parts of his former empire back from the statutory managers, who in turn have counter-claimed with a NZ$564m claim for damages over eight former Equiticorp companies.

Mr Hawkins refuses to make any apology for the collapse. He argues that today's hostile former shareholders "can't remember when . . . they came to us panting, yelling, waving their cheques in the air lusting for a piece of the best company prospect around. Now the orgasm is over they soberly pontificate on the irresponsibility of financiers, forgetting they were caught up in it, too."

Last month Mr Hawkins and some of his colleagues were brought before an Auckland court to face charges brought by the Serious Fraud Office which cover a total of NZ$440m, a figure said by the head of the office, Mr Charles Sturt, to be a world record.

MOST of the charges relate to Equiticorp's 1987 purchase from the government of its 89 per cent stake in New Zealand Steel and subsequent transactions through 1988. Mr Hawkins signed the initial deal on October 20 1987, the day the share market crashed. From that day, Equiticorp's share value spiralled down until it was placed in statutory management on January 22 1989.

Mr Sturt says other charges could follow, but Mr Hawkins promises a protracted court battle to defend himself and his associates, saying the charges are misconceived.

The investors wanting explanations for the poor lending decisions by other companies prior to the crash have also been promised answers following a Serious Fraud Office investigation into the collapse of the former government-owned bank, the Development Finance Corporation.

Sir Ron Brierley is a notable example of a New Zealand entrepreneur who has survived the 1980s in good financial shape. He avoided the mistakes of his rivals by diversifying overseas.

Meanwhile, other companies are likely to be investigated. Ms Ruth Richardson, the latest finance minister, has also begun two inquiries into the Bank of New Zealand's lending policies until this year, although the results of these may not be made public.

These inquiries are unlikely to put cash into the pockets of investors who have been calling for retribution over their lost fortunes. But it may make them feel that justice has at least been seen to be done.

Degussa increases stake in Australian mining group to 14%

By Kevin Brown in Sydney

DEGUSSA, the Frankfurt-based metals and chemicals group, yesterday said it had bought 7.42m shares in Pancontinental Mining from Dresdner Bank for A$16.1m (US$12m), increasing its holding in the Australian mining group to 14 per cent from 9.5 per cent.

The acquisition puts Degussa on level terms with Pancontinental's other main shareholders, Cie Générale Matières Nucléaires (Cogema) of France with 14.9 per cent, and North Broken Hill Peko of Australia with 13.8 per cent.

Mr Tony Grey, chairman, said Degussa was a long-term investor in Pancontinental, and that its decision to take a larger stake was likely to stabilise the share register.

Under Australian foreign investment regulations, Degussa and Cogema cannot increase their shareholdings to more than 15 per cent without federal government approval.

Pancontinental's main asset is the Jabiluka uranium deposit, adjacent to the Kakadu national park in the Northern Territory, which contains more than 450m lbs of proven deposits.

The company is barred from exploiting Jabiluka under federal government regulations which allow mining only in three named mines, excluding Jabiluka, but including the Ranger mine owned by North Broken Hill Peko.

The three mine policy is to be reviewed at a conference of the governing Labor Party this year.

Pancontinental has been lobbying for the regulations to be relaxed, but faces strong opposition to uranium mining from within the Labor Party.

BHP takes full control of steel processing concern

By Kevin Brown

BHP, Australia's biggest company, said yesterday it had increased its stake in ARC Titan, a Papua New Guinea steel storage and processing company, to 80 per cent following the acquisition of a 40 per cent stake from Smorgon ARC, a subsidiary of Smorgon Consolidated Industries.

The acquisition gives BHP full control of ARC Titan through its BHP Steel subsidiary, although the Papua New Guinea Investment Corporation retains a minority 20 per cent holding. Mr John Prescott, chief executive of BHP Steel, said the "relatively modest" acquisition was "entirely consistent with the group's strategy of growing its value-adding downstream businesses."

ARC Titan has its headquarters in Lae, and operates steel storage and processing facilities in Lae and Port Moresby. The company provides Papua New Guinea's expanding construction, mining and manufacturing industries.

HK group buys Australian hotels

MORNING Star Holdings of Hong Kong has agreed to buy control of Victoria Holdings, an Australian hotel company, AP-DJ reports.

Victoria Holdings said that Morning Star had agreed to take a 70 per cent stake in Victoria's hotels, while Innoprise International and Wongs Holdings will buy 30 per cent.

Hotels owned by Victoria Holdings include the Victoria and Sheraton hotels in Melbourne, the Grosvenor in Adelaide and the Four Seasons in Alice Springs. The price is A$37.4m (US$29m).

Morning Star has indicated that it plans to expand the hotel operations throughout Australia and overseas.

The acquisition has to be approved by the Australian government's Foreign Investment Review Board and by shareholders of Victoria Holdings.

Victoria Holdings said it would return the cash proceeds from the sale to its shareholders.

Law gets a grip on South Africa's lax institutions

Philip Gawith on the tougher environment promised by a financial Act which comes into force next month

THE Deposit Taking Institutions Act, which becomes law in South Africa next month, will make life tougher for the financial services sector following a period of lax regulation and injudicious asset growth during the 1980s.

The Act, which levels the playing field between banks and building societies and brings capital adequacy requirements into line with the Basle Concordat, has been welcomed by bankers who reckon it will encourage a more stable banking industry. It also promises to speed up the rationalisation already under way.

Dr Hennie van Greuning, registrar of banks, says the main policy underlying the Act is the desire to enhance risk management. Thus fuller disclosure is required of banks; there is a strong role for auditors committees and – similar to section 39 of the Bank of England Act – the registrar may ask the auditors to express an opinion on any aspect of a bank's management.

A big philosophical shift underpins the Act, with the new legislation focusing on function rather than being institutionally based as in the past.

The convergence of banks and building societies in recent years is recognised through consolidating regulatory legislation into a single Act and providing a basis for equitable competition through removing differences in such matters as capital requirements and lending constraints.

Convergence is most obvious in the home loans sector, where banks have nearly 50 per cent of the approximately R55bn ($21.5bn) market. The desire by Nedcor, the country's third largest banking group, to acquire a mortgage portfolio was the stimulus for its merger with the Perm building society.

Further rationalisation appears on the cards – the United and Allied building societies and Volkskas and Sage Financial Services bank are discussing links to form one integrated financial services group.

The favourable risk weighting of mortgages in terms of regulations under the Act – 50 per cent against 100 per cent on other loans – is thought likely to further stimulate competition in the mortgage market as banks seek to expand their home loan portfolios to reap the benefits of reduced capital requirements.

A big philosophical shift underpins the Act, with the new legislation focusing on function, rather than being institutionally based as in the past

The Act's other main feature, stricter capital adequacy requirements, will also encourage rationalisation. Mr Chris Liebenberg, Nedcor chief executive, thinks the Act will usher in an era of stricter asset management control, greater attention to interest rate margins and more stress on bottom-line profits.

With small interest rate margins having ruled out asset growth as a method of boosting profits, off-balance sheet income will become a more important source of profit. Something of the flavour of things to come is shown by First National Bank, whose assets declined by 0.9 per cent in the 1990 financial year.

Mr Piet Badenhorst, chief executive of United, stresses the importance of technology to remain competitive. "Economies of scale and increased productivity will be required to protect profit and this will require large investments in technology."

He adds that as the industry becomes more technology driven, "mergers and takeovers among financial institutions will become inescapable to make the large investments in computer systems viable". He reckons that banks unable to invest in technology will not survive to the end of the century.

Capital requirements are being phased in from 1992 to 1995, with 4.5 per cent capital/assets ratio required by the beginning of 1992, rising to 8 per cent by the beginning of 1995. This will prevent follies such as Bankorp's 40 per cent rate of asset growth in each of the 1988 and 1989 financial years, which forced it to go to its shareholders in both 1989 and 1990, raising R915m, to bolster its capital adequacy levels.

Most local bankers welcome the fact that the Act brings the country into line with international practice, making it a leader in certain areas. They maintain that as South Africa returns to the international fold, dealings with foreign banks will increase and the larger, better capitalised local banks will be preferred.

Complementing the stricter capital adequacy requirements are more stringent disclosure requirements. Lax disclosure has allowed poor management to go unnoticed until the damage has been done. Now banks will be required to provide the registrar with a monthly breakdown of their exposure to various risks.

Other features of the Act include limits on shareholdings – the maximum single shareholding will be raised from 10 per cent (30 per cent for a financial institution) to 49 per cent – and a detailed account of what degree of competence is expected from non-executive directors.

Peico sells 40% telecoms stake

PEICO Electronics and Electricals, Indian associate of Philips, the Dutch electronics group, is planning to sell its 40 per cent stake in Webel Telecommunication Industries, writes Kunal Bose in Calcutta.

The move is part of Peico's reorganisation to concentrate on consumer electronics.

The Webel holding will go either to Philips Radio Communication System of the UK or to the Tatas, India's premier business house, which has a business alliance with Peico.

Even retailers enjoy the Christmas cheer

By Karen Zagor in New York

US RETAILERS survived the Christmas season without any big casualties, in spite of falling consumer spending. Overall, sales were no worse than analysts had expected.

Indeed, the recession has helped some specialty retailers increase their market share. The Gap stores performed well, turning in a 12 per cent increase in same-store sales – that is for stores that had been open at least one year – in the four weeks ended December 29. The Gap's sales for the period increased 24 per cent to $305m.

The Limited, which had warned analysts to expect flat sales for the Christmas period, posted a surprise 19 per cent improvement in four-week sales to $690.6m, although same-store sales rose only 4 per cent. The news spurred heavy trading in the company's stock, which jumped $⅞ to $19¼ yesterday.

Discount stores also had a satisfactory Christmas, with Wal-Mart seeing a 6 per cent improvement in same-store sales in December. For the month, the company's net sales grew 28 per cent to $4.84bn.

Recession and deteriorating consumer spending has cast a pall over the department store sector, however. "Consumer confidence is as low as I have seen it in more than 20 years," said Mr Kenneth Macke, chairman and chief executive of Dayton Hudson. "We are not optimistic about the first half of 1991."

Dayton Hudson, which last year acquired Marshall Field's from the UK's BAT group, turned in comparable store sales 2.4 per cent higher in the four weeks which included an extra Christmas shopping day in 1990. The company's total store sales jumped 15 per cent to $2.26bn, including the Marshall Field's stores.

Meanwhile, Sears, which tried to attract customers by starting its after-Christmas sale before the holiday, said its comparable store sales had slipped 0.3 per cent in the four weeks although gross revenues improved 1.4 per cent to $3.69bn.

Woolworth said its US comparable store sales increased 0.7 per cent in the four weeks. Woolworth's total sales, including its strong foreign operations, rose 9.5 per cent to $1.38bn.

Brazilian cigarette maker to begin sales to USSR

By Christina Lamb in Rio de Janeiro

SOUZA CRUZ, the Brazilian subsidiary of British American Tobacco, is to begin exporting cigarettes to the Soviet Union in an attempt to compensate for domestic losses on cigarette sales.

The exports will start this month with initial orders of 50m cigarettes, but Mr Antonio Rodrigues de America, the company's financial director, said: "In future, this could be a very significant avenue for us, with a potential market in the USSR of 100bn cigarettes".

The move is part of an attempt by the cigarette company to take advantage of the opening of markets in eastern Europe. Mr Luiz Saboia, the company's president, said that contacts had been made in all eastern European countries; 30m cigarettes have been exported to Poland in the last four months, with further orders for more than 220m in coming months.

Mr Saboia said: "The potential for business is huge because the majority of these countries have problems of supply of cigarettes. The only limit is the lack of availability of hard currency." Because of this, initial sales to the Soviet Union will be through trading companies able to make barter deals.

The Souza Cruz Cigarette Company is in the bizarre position of having increased its market share within Brazil to about 90 per cent despite a challenge by Philip Morris of the US, yet suffering considerable losses. The first nine months of 1990 saw a 57 per cent drop in profits compared with the same period the previous year.

The company blames this on the government's reluctance to allow price increases on cigarettes because of the effect on inflation. Under price controls, the average price is less than that of a newspaper, at about 45 cents a packet.

Mr Saboia says this is "at least 80 per cent too low".

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on January 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101	101½		8.33
ALBERTA PROVINCE 9 3/8 95	600	103⅝	104	+⅛	8.41
AUSTRIA 8 1/2 00	400	98½	98¾	+¼	8.74
BANK OF TOKYO 8 3/8 96	100	97¾	98⅛	+⅛	8.88
BELGIUM 9 1/8 92	400	101⅛	101⅜	-⅛	8.18
BFCE 7 3/4 97	150	96⅛	96⅜	+⅛	8.52
BNP 8 5/8 94	300	101⅛	101⅝	+⅛	8.18
BP CAPITAL 9 5/8 93	150	102⅞	103⅜	+⅛	8.30
CANADA 9 96	1000	103⅜	103⅝	+⅛	8.16
CARCO 9 1/4 95	650	98½	99	-⅛	9.58
CCCE 9 1/4 95	300	103¼	103⅝	+¼	8.28
COUNCIL EUROPE 8 96	100	98⅛	98½	+⅛	8.42
CREDIT FONCIER 9 1/2 99	300	104¼	104½	+¼	8.76
DENMARK 0 98	250	52¾	53¼	+¼	8.79
DENMARK 8 1/4 94	150	100	100⅛	+¼	8.22
ECSC 8 1/4 96	193	99¼	99⅝	+⅜	8.41
EEC 7 1/4 93	250	98¾	99⅛		7.88
EIB 7 3/4 96	250	97½	97¾	+⅛	8.32
EIB 10 97	250	106¾	107⅛	+¼	8.55
ELEC DE FRANCE 9 98	200	102¼	102⅝	+½	8.56
EUROFIMA 9 1/4 96	100	102½	102¾	+¼	8.62
EXPORT DEV CORP 9 1/2 98	150	104⅛	104½	+⅜	8.71
FINLAND 7 7/8 97	200	95⅝	96⅛	+¼	8.83
FINNISH EXPORT 9 3/8 95	200	103⅝	104	+¼	8.41
FORD MOTOR CREDIT 9 1/2 93	300	101¼	101⅝		8.95
GEN ELEC CAPITAL 9 3/8 96	300	103	103½	-⅛	8.64
GMAC 9 1/8 96	200	99¼	99½	+¼	9.33
HALIFAX 9 1/2 93	200	102⅜	102¾	+¼	8.35
IBM WORLD TRADE 7 5/8 93	150	96¾	97⅛	-1⅛	8.89
IND BK JAPAN FIN 7 7/8 97	200	95⅛	95⅝	+⅛	8.91
INTER AMER DEV 7 5/8 96	200	95¾	96¼	+⅛	8.56
ITALY 8 1/2 94	1500	101⅛	101⅜	+¼	8.13
JAPAN DEV BK 8 94	150	99⅝	100	+¼	8.11
KANSAI ELEC PWR 10 96	350	104⅞	105¼	+¼	8.84
LTCB 8 5/8 93	150	100¼	100⅝		8.47
NEW ZEALAND 8 93	100	99¼	99⅝		8.31
NIPPON CRED BK 9 3/4 93	150	102¾	103⅛	+⅛	8.52
NIPPON TEL & TEL 9 3/8 95	200	102¾	103⅜	-⅛	8.55
NORDIC INV BANK 9 93	200	102¼	102½	+¼	7.93
ONTARIO HYDRO 11 5/8 94	200	108⅝	110⅛	+¼	8.43
OSTER KONTROLLBANK 8 1/8 93	200	100½	100¾		7.84
PETRO-CANADA 7 1/4 96	200	94¾	95½	+⅛	8.49
PRUDENTIAL RLTY SECS 0 99	365.216	48¾	49⅜		9.32
QUEBEC HYDRO 9 3/4 98	150	103¼	103⅝	+½	9.13
QUEBEC PROV 9 98	200	100⅛	100¼		8.96
SAINSBURY 9 1/8 96	150	101¾	102⅜	+⅛	8.71
SAS 10 99	200	100⅝	101⅛	+⅛	9.87
SBAB 9 1/2 95	500	103⅝	104	+⅜	8.45
STATE BK STH AUST 9 1/4 93	100	101½	101¾		8.42
SUMITOMO BK CAP MKT 9 3/8 93	150	102¼	102⅝	+⅛	8.45
SWEDEN 8 1/8 94	150	99¾	100¼	+¼	8.35
SWEDISH EXPORT 9 5/8 93	100	103⅛	103½	+⅛	7.96
TOKYO METROPOLIS 8 1/4 96	200	98¾	99⅛		8.52
WORLD BANK 8 3/8 99	1500	99½	99⅞	+⅛	8.63
WORLD BANK 8 3/4 97	1500	102⅛	102¼	+¼	8.47
XEROX CORPN 8 3/8 96	100	94¾	96⅛	+1⅛	9.56

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96¼	96¾	+⅛	9.22
AUSTRIA 6 98	400	83⅛	83⅝	-⅜	9.24
CNT 6 1/8 98	200	83¼	84	+⅜	9.12
CREDIT FONCIER 6 3/4 99	500	85⅝	85¾	-⅛	9.31
DEUTSCHE BK FIN 5 5/8 96	750	86⅜	86¾	+⅛	8.90
EEC 5 3/8 93	300	93⅛	93⅜	+⅛	9.14
EIB 6 1/8 96	300	87¼	87¾	-⅛	9.20
EIB 6 7/8 95	300	92¼	92⅝	+½	8.86
EUROFIMA 6 1/4 98	400	85¼	85¾		9.02
FELDMUEHLE FINANCE 8 99	200	92⅛	92⅛	+⅝	9.33
FERRO DEL STAT 5 3/8 93	500	93¼	93⅝	-⅛	9.23
IND BK JAPAN FIN 5 5/8 96	200	84½	84⅞		9.56
INTER AMER DEV 7 1/4 99	300	89	89	-⅜	9.16
LUFTHANSA INT FIN 5 7/8 98	500	81¼	81¾	-½	9.44
QUEBEC HYDRO 6 3/4 99	300	86½	86⅞	+¼	9.22
SWEDEN 6 1/8 98	300	85¼	85¾		8.88
WORLD BANK 0 15	2000	15⅛	15⅜		7.79
WORLD BANK 5 3/4 96	300	85¾	86¼	-⅛	9.29
WORLD BANK 7 1/8 95	500	93¼	93⅝	-⅜	9.16

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	81½	83½	-1	7.87
AUSTRIA 4 5/8 98	100	85½	86½	-1¼	7.31
CHUJITSUYA 7 3/4 95	50	100½	101		7.60
COUNCIL EUROPE 4 3/4 98	250	85½	86	+1	7.44
EEC 5 1/2 00	100	86½		+½	7.48
EIB 5 3/4 93	100	96½	97½		7.15
FINLAND 5 3/8 95	150	93½	94	-½	7.00
GENERAL MOTORS 7 1/2 95	100	101½	102½	+½	7.07
JAPAN DEV BK 5 1/2 94	100	97¼	97¾	+¼	6.41
MOUNT ISA FINANCE 5 3/4 94	100	85		-1¼	11.35
NEW ZEALAND 4 7/8 99	200	83	83½	+½	7.78
QUEBEC HYDRO 5 08	100	74	76		7.79
SKANDINAVISKA ENSK 6 1/2 95	100	95½	96	+½	7.85
WORLD BANK 5 03	150	80	80¼		7.50
WORLD BANK 7 1/4 92	100	99½	100¼		7.56

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93¾	94⅛	+⅛	7.06
CANADA 4 3/8 92	80000	96⅛	96⅛	+⅛	7.20
CREDIT FONCIER 5 1/4 94	20000	93⅝	94⅛	+⅛	7.15
DENMARK 7 95	40000	100	100¼	+⅛	7.00
EIB 4 5/8 94	40000	92⅞	93⅛	+⅛	7.08
GENERAL ELECTRIC 5 3/4 93	35000	96¼	97¼	+¼	7.35
INTER AMER DEV 7 1/4 00	30000	102⅛	102⅜	+¼	6.93
ITALY 5 3/4 92	150000	98¼	98½		7.41
KANSAI ELEC PWR 4 5/8 94	60000	92¾	93⅛	+⅛	7.09
NIPPON TEL & TEL 5 7/8 96	50000	95½	95¾	+¼	6.84
NORWAY 5 1/8 95	50000	93½	93¾	+¼	6.93
SWEDEN 5 5/8 95	20000	94⅛	94⅜	+⅛	7.09
WORLD BANK 6 3/4 00	50000	99⅜	99⅝	+⅛	6.84

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93¾	94¾		9.33
KREDIETCORP 7 93 LFr	1000	93¼	94¼		10.04
WORLD BANK 8 96 LFr	1000	94	95		9.47
AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅜		9.96
RABOBANK 5 3/4 93 Fl	150	92¼	93		9.89
ALBERTA PROVINCE 10 92 C$	500	98	98¼	+⅛	11.39
BCE INC 9 5/8 93 C$	300	96	96½	+¼	11.63
BELL CANADA 10 5/8 99 C$	150	96	96½	+½	11.35
BRITISH COLUMBIA 9 1/4 93 C$	150	95¾	96¼	+⅛	11.47
EIB 10 1/8 98 C$	130	96⅝	97⅛	+½	10.81
FORD CREDIT CANADA 10 94 C$	100	95¼	95¾	+¼	11.64
GENERAL ELECT CAP 10 1/4 93 C$	175	98⅝	99⅛	+⅛	10.81
MONTREAL TRUSTCO 8 1/2 92 C$	100	95¼	96⅛	+⅜	12.46
ONTARIO HYDRO 10 7/8 99 C$	500	98¼	98⅝	+½	11.19
QUEBEC PROV 10 1/2 98 C$	200	96⅝	97⅛	+⅝	11.16
ROYAL TRUSTCO 10 1/4 93 C$	100	96⅛	96¾	+⅛	12.01
SWEDEN 9 3/4 93 C$	250	97½	98	+¼	10.96
AUSTRIA 7 3/8 93 Ecu	125	93¾	95	+⅜	10.55
CNT 7 3/8 93 Ecu	250	93	94	+¼	10.68
CREDIT LYONNAIS 9 96 Ecu	125	93⅛	94⅛	+⅛	10.73
DENMARK 7 5/8 96 Ecu	250	90¼	91	+¼	10.06
EEC 7 5/8 94 Ecu	200	93¼	93⅝	+¼	10.22
EIB 10 97 Ecu	1125	100⅛	100¼	+⅜	9.96
ITALY 10 3/4 00 Ecu	1000	103¼	103¾	+¼	10.09
SWEDEN 7 1/2 93 Ecu	250	92½	93¼	+⅜	10.65
BMW FINANCE 14 1/2 92 A$	100	101⅝	102⅜	-⅛	12.90
COUNCIL EUROPE 13 93 A$	50	101½	102½	-¼	12.11
EKSPORTFINANS 12 3/8 95 A$	75	100⅜	100⅞	+⅛	12.21
FORD CRED AUST 13 93 A$	50	99½	100¼	-¼	13.21
ICI 15 1/2 92 A$	100	102½	103¼	-⅛	13.25
MCDONALDS CANADA 15 95 A$	100	105¾	106⅛	+⅛	13.11
NAT AUSTRALIA BANK 14 3/4 94 A$	150	103⅝	104⅛		13.22
STATE BK NSW 14 1/4 99 A$	100	107⅝	108		12.72
VOLKSWAGEN INTL 15 94 A$	100	105	105½		12.97
ABBEY NATL TREAS 13 3/8 95 £	100	103⅛	103⅝	+⅛	12.34
BARCLAYS JERSEY 9 1/2 93 £	250	94¼	94⅝	+⅜	12.52
BRITISH GAS 12 3/4 95 £	150	103⅜	103¾	+⅛	11.65
DEUTSCHE BK FIN 11 94 £	225	97½	97¾	+¼	12.02
EIB 10 97 £	300	93¼	94	+⅛	11.47
FORD CREDIT FUNDING 9 5/8 93 £	50	93¼	93¾	+⅛	13.18
INTER AMER DEV 11 3/8 95 £	75	98¾	99¼	+¼	11.67
ITALY 10 1/2 14 £	400	91¼	91¾	+1⅛	11.52
LAND SECS 9 1/2 07 £	200	79	79½	+1⅜	12.57
LEEDS PERMANENT 9 1/4 93 £	50	93¼	93¾	+⅛	12.61
NORWAY 10 1/2 94 £	200	96½	96¾	+⅜	11.89
ROLLS-ROYCE 9 5/8 93 £	150	93⅜	93¾	+⅛	12.82
SAINSBURY 10 7/8 93 £	100	97¼	97¾	+⅛	12.50
SKANDINAVISKA ENSK 13 1/8 95 £	100	102⅜	102¾	+⅝	12.33
WORLD BANK 11 1/4 95 £	100	98¾	99¼	+¼	11.55
ABBEY NATIONAL 0 96 NZ$	100	46½	47½		14.24
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99⅝	100⅜	-⅛	13.34
AIDC 7 7/8 93 FFr	600	93½	94		10.70
CREDIT LYONNAIS 10 95 FFr	2000	98¼	98⅝	+¼	10.48
EURATOM 7 5/8 98 FFr	500	87	87½	+⅛	10.17

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.93	100.03	13.9375
ALBERTA PROVINCE 1/32 93	500	99.83	99.93	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.42	99.47	13.9550
BANCO ROMA 0.03 01	200	92.00	93.00	7.9363
BANCO SANTO SPIRITO 93	200	99.53	99.63	8.4375
BELGIUM 1/16 97 DM	500	99.95	100.07	8.8125
BFCE -0.02 96	350	99.63	99.73	7.7925
BNP 05	300	97.50	98.00	8.0938
BRITANNIA 1/10 96 £	150	99.31	99.36	13.9750
CCCE 06 ECU	200	99.95	100.05	10.0000
CITIZENS FED 0.15 96	100	99.20	99.58	8.2125
COMMERZBK O/S FIN 93	200	99.61	99.71	7.9375
DENMARK -1/8 96	1000	98.93	99.03	8.0000
ELEC DE FRANCE 1/8 99	400	100.11	100.36	8.3750
FERRO DEL STAT 94	200	100.12	100.22	8.2500
HALIFAX 1/10 94 £	200	99.60	99.65	13.9750
HILL SAMUEL 1/4 PERP	75	86.00	89.00	8.5000
MITSUI FIN ASIA 1/8 96	100	99.12	99.27	8.1875
MORGAN (JP) 1/4 97	250	98.00	98.50	8.4375
NAT WEST FIN 3/16 05	400	92.13	93.13	8.3125
NEW ZEALAND 93	500	99.46	99.59	8.0625
QUEBEC PROV 01	300	97.01	97.14	8.1250
RENFE 98	500	99.77	99.87	7.8750
SOCIETE GENERALE 96	300	98.30	98.40	8.0000
STATE BK VICTORIA 0.05 99	125	97.85	98.10	8.4375
UNITED KINGDOM -1/8 96	4000	100.01	100.07	7.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	105½	106½	+28.08
ASDA-MFI 4 3/4 02 £	100	1.64	109¾	111⅛	+55.34
BURTON GROUP 4 3/4 01 £	110	3.15	106⅝	108⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	96½	97½	+18.90
GOLD KALGOORLIE 7 1/2 00	65	1.0554	64⅝	65⅝	+24.59
GOODYEAR TIRE 6 7/8 03	150	80¼	55¾	56¼	
GRACE (WR) 6 1/4 02	150	42⅛	73½	74¼	+32.46
GRAND MET 6 1/4 02 £	100	6.58	102	103	+0.77
HAWLEY 6 02 PREF	400	1.91	92¼	94	+33.47
HILLSDOWN 4 1/2 02 £	150	4.16	103¼	104¼	+77.61
INTL PAPER 5 3/4 02	200	68½	89¾	90¾	+16.27
LAND SECS 6 3/4 02 £	84	6.72	86⅝	87⅝	+11.30
MITSUBISHI BK 1 3/4 02	300	2727.1	84¾	86¾	-1.04
OGDEN 6 02	85	39.077	65½	66½	+36.51
PACIFIC DUNLOP 6 3/4 97	75	3.749	102¼	103¼	+1.11
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	80¼	81¼	+78.54
THORN EMI 5 3/4 04 £	103	7.45	103¼	105	+15.36

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Risk weight change hits mortgage-backed market

By Tracy Corrigan

THE sterling mortgage-backed bond market suffered a setback yesterday when the Bank of England adopted a European Community directive which doubles the capital that banks must hold against their investments in mortgage-backed securities.

The move boosts the risk weighting of 50 per cent currently applied to mortgage-backed securities in the UK to 100 per cent.

The rule does not come into effect until January 1993, so issues which mature, or are likely to mature, ahead of that date will perform better than longer-dated securities.

The Bank of England's decision to bow to pressure from the EC by reversing the 50 per cent ruling laid down in its 1988 paper took the market by surprise. However, the central bank said it "will continue to argue the case for a 50 per cent risk weight on mortgage-backed securities in Brussels".

The initial impact was difficult to assess because the sector is not traded very actively, but traders said spreads were roughly 10 to 15 basis points wider.

However, there were no sellers as many investors still hope the Bank of England will be able to win its case. Bank investors are also unwilling to realise losses when many issues have started to repay principal at par.

The sterling mortgage-backed bond market, which has grown to about £7bn since its inception in 1987, was originally targeted at bank investors as one of few high-margin instruments requiring only 50 per cent weighting.

Although that investor base has widened in recent years to include corporate and other institutional investors, banks still make up an estimated 15 to 20 per cent of the market. With bank capital under increasing pressure, the 50 per cent weight was considered a catalyst for further growth.

INTERNATIONAL BONDS

CBOT sets record volume in contracts

By Barbara Durr in Chicago

THE CHICAGO Board of Trade (CBOT), the world's largest futures exchange, achieved record volume of 154.2m contracts in 1990. The total was 11.5 per cent up on the 1989 figure, and ahead of the previous record of 143m contracts set in 1988.

The exchange's US Treasury bond futures, the most widely traded future contract, set a volume record last year of 75.5m, up 7.4 per cent over 1989. Options on the T-bond futures rose dramatically by 31.4 per cent to 27.3m. Grain futures volume was 11.7 per cent up on 1989.

The performance was in marked contrast to volume trends at the Chicago Mercantile Exchange, the world's second largest exchange, where total volume slipped slightly below 1989's record to 103m contracts, down 1.6 per cent. Eurodollar futures, the world's top short-term interest rate contract, led the decline with a 15 per cent drop in volume.

Trading in Standard & Poor's 500 stock index futures and futures-options grew 17.5 per cent last year, with S&P 500 futures posting a 14.9 per cent gain and futures options a 41 per cent increase. Two new CME contracts, one-month London interbank offered rate futures and Nikkei 225 stock average futures, appeared to have become attractive, finishing the year with trading in each approaching 1,000 contracts a day. Volume in the CME's agricultural futures fell by 4 per cent.

The shift in trading volume between the exchange's two largest contracts – the CME's Eurodollar futures and the CBOT's Treasury bond futures – reflects the shift to longer-term instruments. Short-term interest rates were less volatile than long-term ones.

The CBOT also set annual volume records in 30-day interest rate futures, corn options, soyabean meal options and soyabean oil options. The agricultural complex volume rose by 11 per cent over the year to 34,597,542 contracts from 31,280,793 in 1989.

Gemina starts well in race for Sim

Haig Simonian on the Fiat group's move into Italian financial services

THE race to set up Italy's new breed of stockbroker-cum-fund manager, known as a Societa di Intermediazione Mobiliare (Sim), is now under way in earnest. Gemina, the financial services group controlled by Fiat, has made a strong start.

Days after legislation opening the door for Sims was approved in December, Gemina announced a joint venture with Crédit Lyonnais and Studio Massimo e Piero Mortari, a small broker based in Rome and Milan.

The company is one of three Sims so far announced: S.G. Warburg is expected to join forces with Giubergia, a Turin-based house; while Pastorino, a Milanese broker, is to co-operate with Sumitomo's Banca del Gottardo.

The formation of the Sim will represent Gemina's biggest step into finance, and help tie some of the strings between its broking and money market activities.

The group is active in the domestic market through Gemina Commissionaria, the securities trading offshoot run by Mr Alberto Ronzoni. However, like the other commission houses owned by Italian banks and industrial groups, it was forbidden access to the bourse floor, which was reserved for accredited stockbrokers.

That changes under the Sims law, which removes the brokers' monopoly after a two-year transition period. Staff for the Sim have been transferred from Gemina Commissionaria, and the operation, which has been ready to do business since August, will start trading the minute the new law comes into operation, according to Mr Felice Vitali, Gemina's managing director.

Gemina's Sim has yet to be named, but premises and equipment, as well as staff, are in place, says Mr Vitali. He will not disclose how much the French are paying for their 30 per cent stake, and attributes the partnership more to good personal contacts and shared priorities.

Felice Vitali: Sim, as yet unnamed, is ready to start

Crédit Lyonnais has become increasingly active in Italy following the 1988 purchase of a 40 per cent share in Credito Bergamasco. On the deal with Gemina, Mr Vitali says: "We saw that we had very similar ideas on how we should collaborate in various countries." Fund management featured prominently for both partners.

Gemina has developed one of the biggest portfolios of any Italian financial holding company. Its stakes fall into three categories: "Permanent interests", which subdivide into those actively and passively managed, and venture capital investments.

Foremost among the first group are Gemina's 78 per cent share in RCS Editori – one of Italy's main media concerns which also owns Corriere della Sera, the country's second biggest daily newspaper – and its 21 per cent holding in Cartiere Burgo, Italy's largest paper maker.

But Fila, the upmarket sports clothing manufacturer of which Gemina took full control in 1988, best reflects its strategy of increasing its activity in businesses not covered by its main shareholders, explains Mr Vitali.

Gemina's second type of "permanent interests", in which it takes a passive role, give some hint as to who those shareholders are. The list includes stakes in some holding companies of northern Italy's most prominent industrial clans.

Among its interests are a 6 per cent slice of the ultimate holding company for the Pirelli group, and about 9 per cent of the shares in Europa Metalli, the main operating unit of the Orlando family.

Gemina's third group of investments, in smaller, family-owned companies, reflects its expansion from a strongbox into development finance, says Mr Vitali. Concentrating on the food and engineering industries, it has put up development capital for a growing list of family businesses as a first step to their flotation.

The group's development capital activities were enlarged in 1989, when it set up the Directional Capital Fund with Chase Manhattan of the US to invest in middle-sized Italian companies. Financing for the L80bn ($70m) fund, most of which has been supplied by non-Italian investors, was completed last year.

More recent months have brought a marked expansion of financial services, with acquisitions in the capital markets and securities fields marking a bid to develop a small investment banking arm. Last July, Gemina bought a 30 per cent stake in Fineurop, the Italian financial services boutique 90 per cent owned by Warburg Soditic of Switzerland.

Since then, Gemina Capital Markets, the group's investment banking and treasury subsidiary, has taken charge of Fineurop's treasury and swaps activities, while handing over its syndicated loan and export credit operations to Fineurop. Fineurop, which has a joint venture with Fiat providing export credit to members of the Fiat group, will give Gemina an opening into the trade finance business, says Mr Vitali.

Last month, Gemina purchased the Luxembourg capital markets subsidiary of Republic National Bank of New York. The 15-member unit will reinforce Gemina's international operations in Switzerland and the Cayman Islands. These remain small, with about 25 professionals abroad complementing the similar number employed in corporate finance and treasury and money market activities in Milan.

But the greater emphasis on finance will not come at the expense of Gemina's industrial interests, and Gemina is keen to see its big investments expand, he maintains.

Gilts surge as sterling improves

By Deborah Hargreaves in London and Karen Zagor in New York

UK GOVERNMENT bonds surged yesterday, cheered by the strong performance of the pound against the D-Mark. On longer-dated issues, prices rose by more than a point.

The market is perversely enthusiastic about Mr Norman Lamont's promise of no cuts in interest rates, since this supports sterling and hastens the arrival of an occasion for possibly cutting rates. The pound rose by one pfennig yesterday against the D-Mark to DM2.90.

Gilts traders believe that UK monetary policy has gained credibility among overseas investors and so more money could come into bonds. And as long as interest rates remain high, the outlook for a cut in the inflation rate is improved.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-03	+07/32	11.43	11.57	11.19
		9.000	03/00	90-25	+34/32	10.58	10.82	10.68
		9.000	10/08	90-22	+47/32	10.13	10.36	10.38
US TREASURY *		8.500	11/00	103-28	+20/32	7.92	8.09	8.20
		8.750	08/20	107-09	+17/32	8.10	8.25	8.35
JAPAN	No 119	4.800	6/99	88.4468	+0.237	6.97	7.02	7.32
	No 129	6.400	03/00	98.9108	+0.452	6.59	6.57	7.01
GERMANY		9.000	10/00	100.1100	+0.360	8.98	8.96	8.87
FRANCE	BTAN	9.000	11/95	95.6062	+0.287	10.17	10.25	10.12
	OAT	8.500	03/00	91.8800	+0.630	9.86	9.99	10.01
CANADA *		10.500	03/01	102.5000	+0.450	10.10	10.27	10.55
NETHERLANDS		9.250	11/00	100.5000	+0.340	9.17	9.17	9.11
AUSTRALIA		13.000	07/00	105.5995	+0.230	12.00	12.07	12.10
BELGIUM		10.000	08/00	100.3500	+0.350	9.93	9.80	9.73

London closing, *denotes New York morning session

Yields: Local market standard Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

■ US Treasury bonds moved broadly higher yesterday morning but started to fall back by midsession as profit-taking hit the market after Wednesday's strong gains.

GOVERNMENT BONDS

At midday, the Treasury's benchmark 30-year bond was up ¼ at 107, yielding 8.12 per cent, after gaining about $\frac{1}{16}$ earlier in the day. Shorter-dated maturities rose about $\frac{1}{8}$.

The Federal Reserve entered the open market to arrange system repurchase agreements when Fed funds were trading at 7¾ per cent. The move was seen as a protest against the high funds' rate.

The Fed's target for funds, the rate at which banks lend to each other, is believed to be 7 per cent.

Investors are hoping that today's release of employment data for December will show a sharp decline in non-farm payroll employment and force the Fed to ease monetary conditions.

■ THE GERMAN market remained quiet after the holiday period. In France, the treasury sold FFr5.75bn of its new 10-year bond at its first auction of the year.

The average yield was 9.93 per cent and demand totalled FFr11bn. The allocation was lower than expected, but the Treasury is committed to selling at least FFr1bn of the issue each month, which should make it a benchmark.

AIBD moves training base

The Association of International Bond Dealers (AIBD), the self-regulatory organisation governing the Eurobond market, has awarded the franchise to run most of its training programmes to Reading University, 40 miles outside London, writes Tracy Corrigan.

The current system of twice-yearly seminars in Montreux, Switzerland, organised by the AIBD, will be run down. The plan allows the AIBD to extend its educational role without building a large bureaucracy.

The programme, run by the University of Reading under AIBD control, will provide regional training for member-firms. Seminars will be held in six AIBD regions in 1992 and eight in 1993, boosting the number of traders who undergo training. Each course will be condensed to a week.

For the time being, training for back-office staff will remain in Montreux.

Paris lists franc warrants

CITICORP yesterday launched 5m French franc currency warrants, which became the first currency warrants to be listed on the Paris bourse, writes Deborah Hargreaves.

The warrants were issued in six tranches. Four million of the warrants in four tranches confer the right to buy or sell dollars at a specified franc exchange rate, while 2m of the products in two tranches set a rate for buying and selling sterling.

Currency warrants have been listed in other financial centres, but French regulations had kept them out of Paris. After much discussion with the authorities, the bank was able to get the warrants included in bourse regulation, which could open the market for further such issues.

The instruments are expected to attract investment from small-scale fund managers and retail investors which would otherwise have limited access to the large foreign exchange markets.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday January 3 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Jan 2 Index No.	Mon Dec 31 Index No.	Fri Dec 28 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (188)	707.77	-1.0	15.00	6.72	8.13	0.00	715.03	719.22	720.76	960.80
2	Building Materials (25)	959.69	-1.7	15.00	6.37	8.21	0.00	975.99	985.66	985.09	1181.09
3	Contracting, Construction (31)	1117.59	-1.2	16.47	7.04	7.89	0.00	1130.98	1136.06	1133.93	1621.44
4	Electricals (10)	1874.01	+0.7	15.00	7.12	8.15	0.00	1861.83	1882.35	1884.47	2751.15
5	Electronics (26)	1508.26	-0.3	10.62	5.70	12.55	0.00	1512.38	1518.10	1539.44	2025.67
6	Engineering-Aerospace (8)	395.75	-0.3	16.96	6.17	7.06	0.00	396.88	398.60	399.98	495.50
7	Engineering-General (47)	362.30	-0.5	16.12	7.08	7.48	0.00	364.09	365.48	365.49	502.82
8	Metals and Metal Forming (8)	399.06	-0.4	22.89	8.62	5.39	0.00	400.85	403.78	404.32	515.57
9	Motors (13)	289.58	-1.6	17.23	8.31	6.76	0.00	294.18	296.64	295.99	403.90
10	Other Industrial Materials (20)	1218.92	-1.6	13.79	6.66	8.38	0.00	1239.21	1243.92	1244.09	1773.27
21	CONSUMER GROUP (181)	1214.21	-0.3	10.11	4.29	12.28	0.00	1218.31	1228.68	1231.67	1354.22
22	Brewers and Distillers (22)	1575.73	-0.2	10.34	3.95	11.91	0.00	1578.67	1591.87	1597.40	1543.62
25	Food Manufacturing (20)	1028.19	-0.3	11.23	4.83	10.99	0.00	1030.91	1030.91	1034.03	1177.11
26	Food Retailing (16)	2266.45	+0.3	9.95	3.32	13.13	0.00	2259.53	2283.15	2287.95	2346.16
27	Health and Household (20)	2518.70	-1.3	7.15	3.03	16.58	0.00	2552.79	2568.62	2571.03	2795.49
29	Hotels and Leisure (22)	1195.72	-0.7	11.66	5.70	10.11	0.00	1204.21	1208.61	1217.10	1686.27
30	Media (25)	1214.20	-0.4	12.34	5.59	10.21	0.00	1219.04	1228.68	0.00	0.00
31	Packaging & Paper (11)	517.30	-0.1	10.26	6.64	11.96	0.00	518.01	523.99	525.71	588.58
34	Stores (34)	774.49	+0.7	11.02	4.72	11.82	0.00	768.80	784.81	786.45	831.92
35	Textiles (11)	404.10	-0.8	14.37	8.69	8.93	0.00	407.46	412.77	412.07	554.37
40	OTHER GROUPS (111)	990.20	-0.2	12.94	6.03	9.35	0.00	992.11	999.65	1013.62	1233.46
41	Business Services (12)	999.40	+0.1	12.53	5.39	9.50	0.00	998.51	999.65	0.00	0.00
42	Chemicals (22)	1024.13	-0.3	13.76	6.91	8.58	0.00	1027.58	1035.98	1044.54	1290.50
43	Conglomerates (11)	1232.99	-1.1	14.01	8.26	8.48	0.00	1246.86	1258.48	1299.13	1699.92
44	Transport (15)	1875.33	-0.9	13.83	5.42	8.94	0.00	1892.54	1912.40	1905.49	2458.00
45	Electricity (12)	997.70	-0.3	12.36	7.06	9.76	0.00	1001.17	999.65	0.00	0.00
46	Telephone Networks(3)	1134.19	+0.5	11.79	4.46	11.03	0.00	1128.40	1141.07	1165.21	1280.73
47	Water(10)	2184.42	....	14.34	6.41	7.87	0.00	2183.91	2204.34	2220.60	2011.56
48	Miscellaneous (26)	1552.91	-0.1	12.29	5.88	9.47	0.00	1554.12	1557.84	1568.61	1973.25
49	INDUSTRIAL GROUP (480)	1021.52	-0.4	12.02	5.34	10.19	0.00	1025.98	1033.85	1039.99	1234.57
51	Oil & Gas (20)	2271.99	-1.6	9.85	5.61	13.26	0.00	2309.09	2296.62	2316.22	2454.08
59	500 SHARE INDEX (500)	1124.39	-0.6	11.69	5.38	10.56	0.00	1131.29	1137.75	1144.96	1336.72
61	FINANCIAL GROUP (98)	700.55	....	-	6.80	-	0.00	700.13	710.09	713.30	865.58
62	Banks (9)	743.56	....	21.66	7.79	6.05	0.00	743.69	757.98	761.24	895.52
65	Insurance (Life) (7)	1239.24	-1.6	-	6.20	-	0.00	1258.82	1269.68	1277.15	1470.04
66	Insurance (Composite) (6)	602.65	+2.0	-	7.10	-	0.00	591.02	604.02	613.71	732.41
67	Insurance (Brokers) (8)	996.79	-0.8	7.59	6.50	17.26	0.00	1005.21	1028.50	1011.86	1194.74
68	Merchant Banks (7)	352.80	-0.2	5.52	5.82	24.15	0.00	353.48	355.41	355.92	498.17
69	Property (41)	959.85	....	7.09	4.92	19.16	0.00	960.22	963.53	963.06	1242.53
70	Other Financial (20)	251.10	-0.5	10.87	7.20	11.62	0.00	252.45	252.28	252.56	350.59
71	Investment Trusts (69)	986.61	-0.8	-	4.12	-	0.00	994.64	1002.09	1006.30	1323.81
99	ALL-SHARE INDEX (667)	1019.78	-0.5	-	5.55	-	0.00	1025.13	1032.25	1038.43	1224.52

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 2	Dec 31	Dec 28	Dec 27	Dec 24	Year ago
FT-SE 100 SHARE INDEX‡	2117.8	-10.5	2124.4	2106.3	2128.3	2143.5	2160.4	2167.8	2156.3	2451.6

FIXED INTEREST

	PRICE INDICES	Thu Jan 3	Day's change %	Wed Jan 2	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	118.92	+0.40	118.44	1.68	0.00
2	5-15 years (32)	128.38	+1.19	126.86	2.33	0.00
3	Over 15 years (8)	135.88	+1.99	133.23	2.03	0.00
4	Irredeemables (6)	147.56	+0.92	146.21	1.36	0.00
5	All stocks (74)	127.63	+0.99	126.38	2.10	0.00
	Index-Linked					
6	Up to 5 years (2)	157.22	+0.21	156.89	0.75	0.00
7	Over 5 years (10)	144.62	+0.54	143.85	0.74	0.00
8	All stocks (12)	145.44	+0.51	144.71	0.74	0.00
9	Debs & Loans (54)	104.28	+0.18	104.09	2.20	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jan 3	Wed Jan 2	Year ago (approx.)
	British Government				
1	Low	5 years	10.02	10.03	10.18
2	Coupons	15 years	10.02	10.24	9.60
3	(0%-7¾%)	25 years	10.02	10.27	9.54
4	Medium	5 years	10.93	11.15	11.08
5	Coupons	15 years	10.41	10.62	10.04
6	(8%-10¾%)	25 years	10.23	10.43	9.71
7	High	5 years	11.05	11.25	11.24
8	Coupons	15 years	10.60	10.80	10.23
9	(11%-)	25 years	10.39	10.57	9.82
10	Irredeemables	†	10.36	10.46	9.66
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.10	4.19	3.85
12	Inflation rate 5%	Over 5 yrs.	4.14	4.18	3.60
13	Inflation rate 10%	Up to 5 yrs.	2.79	2.88	2.97
14	Inflation rate 10%	Over 5 yrs.	3.96	4.00	3.43
15	Debs &	5 years	12.53	12.62	13.68
16	Loans	15 years	12.33	12.38	12.42
17		25 years	12.13	12.15	12.13

‡Opening index 2121.1; 9 am 2123.4; 10 am 2115.1; 11 am 2114.7; Noon 2106.5; 1 pm 2114.7; 2 pm 2118.6; 2.30 pm 2117.0; 3 pm 2118.2; 4.10 pm 2117.6; (a) 8.57am (b) 12.14pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these Indices. These are available by subscription from FINSTAT, 071-925 2323. CORRECTED FIGURES (31/12/90): BRITISH GOVERNMENT 5 TO 15 YRS. INDEX 126 54 -0.42 ACCRUED 2.26. OVER 15 YRS. INDEX 132.68 +2.21 ACCRUED 1.96.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	1	3
Corporations, Dominion and Foreign Bonds	5	0	16
Industrials	165	384	1,016
Financial and Properties	83	255	408
Oils	14	37	42
Plantations	1	2	7
Mines	14	51	94
Others	23	99	54
Totals	387	829	1,640

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

- First Dealings Dec. 17
- Last Dealings Jan. 4
- Last Declarations March 27
- For settlement April 8

For rate indications see end of London Share Service

Calls in Aran Energy, Next and Tusker Res. Put in Ratners.

LONDON TRADED OPTIONS

DEALINGS in stock options and futures picked up yesterday as speculation about a settlement to the Gulf crisis increased after a French newspaper reported that Iraq had agreed, in secret negotiations, to withdraw from Kuwait.

The markets had begun lower as worries about the depth of the UK recession and declines in overseas markets weighed heavily.

The futures market led the stock market lower during the first half of the session. But when reports of a possible Gulf settlement appeared, equity futures rallied and moved to a strong premium to the cash market.

By the close, the March FT-SE 100 index contract had closed a point lower on the day at 2,162. March's premium to the cash market ended at 45 points, compared with brokers' estimate of fair value of 35 points.

Institutions which were underweight in shares were modest buyers of futures, using the derivative markets to hedge against any sudden rise in equities which could follow any Gulf settlement.

In the traded options market, investors were taking a more bearish stance, using the December FT-SE option contracts. One popular trade was the sale of 1,815 puts and 2,625 calls.

A total of 30,316 options changed hands and was weighted towards calls. FT-SE options accounted for a third of the business, with the January 2,200 calls the most popular. One broker bought 500 January 2,150 calls and 500 January 2,300 calls and sold 1,000 January 2,200 calls.

Among the stock options, British Telecom was the most active after Barclays de Zoete Wedd sold 750 May 280 calls and the same quantity of May 280 puts. A total of 1,756 BT options changed hands, equivalent to 1.7m shares.

The other busy stocks were British Steel (1,875); GEC (1,129); Shell (1,005); and Hanson (981).

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*484)	460	31	53	63	4½	15	22
	500	7½	31	40	23	32	40
	550	2	11	-	70	72	-
ASDA (*115)	110	8	14	18	2½	7	8½
	120	3	8	13	6½	12	15
	130	1	5½	9	16	19	21
Unilever (*678)	650	37	62	75	6½	22	26
	700	11	32	48	29	45	52
Ultramar (*327)	300	30	40	50	3	9	12
	330	10	32	33	13	20	25

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Elec. Pkg. (*£1463)	1450	60	110	150	45	65	85
	1500	40	85	120	70	85	110

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*62)	60	7½	11	13½	4	6	7½
	70	3½	7	9½	11	12	13
Barclays (*350)	330	34	40	50	13½	18	26
	360	17	25	33	3135	-	42
Blue Circle (*216)	200	27	30	35	6½	12	14
	220	15	18	25	15	22	25
British Gas (*225)	220	14	23	26	8	12	14
	240	6½	12	14	21	22	26

UK COMPANY NEWS

FNFC dives to £36.4m as defaults pile up

By Clare Pearson

DEFAULTS ON loans made last year by First National Finance Corporation rose to levels not seen by the company since the recession of the early 1980s as its UK customers felt the strain of high interest rates and the poll tax.

Mr Tom Wrigley, chief executive of the consumer credit and property concern, said about 14 per cent of loans were in default – defined by FNFC as more than 31 days overdue – by the end of the year to October 31.

As a result, the company made extra provisions – mostly relating to consumer lending – of £38m which reduced pre-tax profits for the year from £71.57m to £36.38m. The final dividend, however, is maintained at 8.5p net giving an unchanged 13p total The shares closed 1p higher at 181p yesterday.

Fully diluted earnings fell to 18p (30.6p). That was after a fall in the tax charge from 28 per cent to 17 per cent, which was aided by a continuation of allowable losses and timing differences.

Mr Wrigley said the bulk of the extra lending provisions were for revaluations of properties, chiefly residential, where loans secured on them had fallen into arrears. "Valuations tend to assume a forced sale," he said.

About £25m of the provisions related to consumer lending and about £7m to commercial. The balance was for FNFC's own property development activities.

Profits from the property division slumped to £1.82m (£10.59m). Consumer credit made £27.5m (£48.75m) and the commercial division £12.53m (£15.78m). Central interest costs were £5.47m (£3.55m).

On demand levels, Mr Wrigley said that with little movement in the residential housing market requests for home improvement loans were holding up well. He said he thought FNFC had increased its share slightly to about 25 per cent of the UK market for such improvement loans.

He added that there appeared to be some "good quality" lending business in the commercial sector, which had become more available as competitors curtailed their lending operations.

Together with reductions in the number of customers settling debts early, increased lending volumes helped earning assets rise from £1.6bn to £1.8bn by the end of October.

On the outlook, the company said adverse economic conditions had continued to affect profitability so far in the current financial year.

"But people need to be convinced that the next interest rate movement is downwards before things get going again. I'm not sure the man in the street has reached that conclusion yet," Mr Wrigley said.

See Lex

Logica plans more job cuts at US subsidiary

By Alan Cane

CONTINUING weakness in the US market for computing services has forced more job losses at Logica Data Architects, a wholly-owned subsidiary of Logica, one of the UK's largest software houses.

Logica said yesterday that 80 jobs out of some 580 would be shed in North America as part of a restructuring programme designed to return LDA to profitability in the second half of the current year.

The offshoot collapsed from a £4m profit to a £2m loss last year, helping materially to halve Logica's overall pre-tax profits from £18.8m to £9m.

LDA's chief activities are the provision of software and services to clients in the finance, insurance and telecommunications sectors. It also works with major computer makers.

All these sectors showed slow growth in the past year with the finance sector and computer manufacturing particularly hard hit.

Logica last year initiated corrective measures to bring expenses in line with sales, but continuing weakness in the market made them less effective than expected.

LDA failed to make a profit in the first half of the current year, which closed last week, and Mr Bill Fello, its new chief executive, decided that further action had to be taken.

Mr Fello, formerly president of computer services at Xerox Corporation and chief executive of Touch Communications, was brought in to manage LDA's recovery following the retirement of LDA chairman Mr Martin Cooperstein and president Mr Norman Zachary.

Logica said yesterday that there was no expectation that further lay-offs would be needed either in the US or in any other part of the company.

North American operations last year contributed about 13 per cent of Logica's worldwide sales of £187m.

Westport chairman resigns as profits drop

By David Owen

MR JOHN Friswell, executive chairman of Westport Group, resigned yesterday as the exhibition, photographic services and retail market company reported a sharp downturn in interim pre-tax profits.

Mr Ian McQuattie, who joined the group as finance director last October, was appointed chief executive with immediate effect. The company is to appoint a non-executive chairman "at the earliest opportunity."

Taxable profits for the six months to October 31 were just £14,000 (£1.25m), after taking into account exceptional charges totalling £398,000.

The exceptionals were in respect of stock write-downs and costs relating to some 150 redundancies.

Turnover improved by 40 per cent from £8.12m to £11.39m.

The company, which has been conducting a "fundamental" review of its business in the light of the deterioration in economic conditions, also made extraordinary write-offs and provisions amounting to £1.82m.

These comprised a £750,000 provision in respect of trade investments and property in Dubai – where it was the largest exhibition contracting company – and elsewhere; £975,000 for the closure of electrical businesses and a divisional/head office; and £92,000 related to disposals.

Earnings per share were just 0.01p (0.87p).

Mr McQuattie yesterday characterised relations between Mr Friswell and the Westport board as "good" but said that the recession had accelerated the group's successional planning.

Friswell family members own approximately 7.5 per cent of the company's shares, compared with 27 per cent held by Carlton Communications, the largest shareholder, and over 3 per cent held by Emap.

The shares, which have fallen from 22p last January, were unchanged yesterday at 6p.

£592,000 pay-off for ex-T&L director

Mr Larry Cunningham, who resigned last July as a director of Tate & Lyle and president of its Staley corn syrup subsidiary in the US, was paid compensation of £592,000 for termination of his contract, according to the group's 1989-90 accounts.

The dream that turned into a nightmare

John Thornhill on Easthope's collapse and the fears facing other high street retailers

THE COLLAPSE of Easthope & Co, the jewellery chain, on the last day of 1990 represents the sad end of one company's dream and perhaps signals the start of an industry nightmare.

The Leicestershire-based company, which traded as Next the Jewellers until it staged a £9m management buy-out from the Next fashion group in November 1989, traded from 53 shops throughout the UK and employed 350 people. All the jobs will be lost.

Mr Maurice Withall and Mr Richard Betts, the partners at Grant Thornton who have been appointed joint administrative receivers at Easthope, suspect that the jewellery company's collapse is a grim foretaste of things to come.

Cautious trading statements yesterday from Ratners Group and Storehouse and a further round of profits downgradings by City analysts added to the prevailing gloom in the retailing sector.

As sales growth on the high street has fallen to its lowest level in a decade and rates, rents and wage costs have inexorably risen, retailers have been struggling.

Some of those which have been saddled with high debts or have experienced particularly bad trading have already fallen.

Others are scraping along praying that a reduction of interest rates will stimulate trade.

Mr Betts said that like many other retailing businesses, Easthope's problems stemmed from insufficient turnover. Easthope had suffered bad trading over the Christmas period when it would normally have expected sales to be at their strongest, he said.

Easthope's inability to pay its rent was the final factor that triggered the receivership, although Mr Withall said that he had hoped to sell Easthope as a going concern.

He said he was unable to do so because Next, which was still owed a deferred payment of £2.5m from the buy-out deal, demanded the return of 48 of Easthope's properties over which it had a legal charge.

Next argued that it did not want further uncertainty hanging over it for several months, although Mr Withall believed it would have been possible to determine whether Easthope could be sold as a going concern within three weeks.

Yesterday, Mr Withall said he could not as yet quantify Easthope's liabilities although they ran into millions of pounds.

Next reported yesterday that it had been "inundated" with enquiries about the Easthope properties although it doubted whether it would recoup in full the £2.5m it was owed.

Easthope was, however, regarded as a weak player in the jewellery market and one City analyst commented that "a special factor with Easthope was that it was never a business with a successful format."

Tony Andrews

Easthope's premises in London's Cheapside

Although other stores are undoubtedly suffering from difficult trading conditions some are still recording relatively solid performances. Argos, the catalogue retailer, said yesterday that sales in the past two weeks had been "very encouraging".

Meanwhile, Ratners Group, which also trades in the jewellery market and which has already expressed an interest in buying some of Easthope's stores, announced that its sales were substantially ahead of last year's figures although below the company's best expectations.

In the four weeks prior to Christmas, the Ratners and Zales chains both achieved like-for-like sales increases of 17 per cent. H Samuel recorded a 13 per cent increase and Sterling, the company's US business, saw a 6 per cent increase.

Mr Gerald Ratner, chairman and managing director, said: "Bearing in mind how difficult things were I am quite happy."

Barring unforeseen factors, Mr Ratner was confident that the group would exceed last year's pre-tax profits before exceptional items. But he accepted that earnings per share were likely to fall this year because of the dilutive effects of the acquisition of Kay's Jewelers in the US.

Kleinwort Benson, the stockbrokers, has cut this year's pre-tax profits forecast for Ratners from £138m to £115m and is predicting that earnings per share might slip by 12 per cent. The company's shares, however, rose 7p to 165p.

Storehouse, the retailing group embracing the B*h*S, Mothercare and Habitat chains which adopted an aggressive trading policy over Christmas, also issued a trading statement yesterday.

Although sales were running ahead of last year's levels, the company warned that its profits in the year to March 31 were unlikely to exceed the previous figure of £32.6m before tax and exceptional items.

The City seemed relieved that Storehouse's predictions were not worse. But profit forecasts have, nevertheless, been trimmed from over £30m to £25m and the company's shares dipped to 110p, down 3p.

Storehouse said that November had been well down on the previous year but that sales had picked up in December. "The last two weeks before Christmas were really very acceptable," the company said.

Like Ratners Group, B*h*S benefited from opening its stores on Sundays which was said to have been a "very definite help".

Smurfit makes acquisitions in France

By John Thornhill

Jefferson Smurfit, the Irish paper and packaging company, is continuing to develop its European operations through the acquisition of a 95 per cent interest in the French companies that form the Lestrem Group.

The price was not disclosed but was said to be "not material in the context of the Jefferson Smurfit Group". The annual turnover of the Lestrem companies is more than FFr 250m (£25m).

The companies to be acquired include Cartonneries de Lestrem, based in north-east France, which produces 50,000 tons of solid board a year; Sifranc Belier, located in northern Paris, which sells and converts solid board; and Tranepac, based on the same site, which operates as a paper and board trading company.

These companies will be run as part of Smurfit France.

Throughout the past few years Jefferson Smurfit has made a string of acquisitions in Europe in the paper and packaging sectors.

Composites cut bonus rates

By Eric Short, Pensions Correspondent

ANALYSTS, in reviewing the conventional life market, expected that traditional life companies would be forced to cut their bonus rates for end-1990 as a result of the poor investment returns last year.

In the latest batch of announcements, Sun Alliance and Guardian Royal Exchange, the major composite insurance groups, have confirmed these predictions.

Sun Alliance has cut its annual reversionary bonus in 1990 to follow the cut made in its terminal bonus rates last October. But GRE has only cut its terminal bonus rates, leaving the annual reversionary bonus rates unchanged.

However, GRE has fulfilled analysts' predictions that the cuts could result in pay-outs on traditional with-profit contracts would fall by up to 10 per cent, particularly for the shorter-term contracts.

On its 10-year endowments maturity values drop nearly 11 per cent compared with a year ago, while on 25-year contracts they fall by a little more than 3 per cent.

The effect of the cuts made by Sun Alliance are less harsh, with 10-year maturities falling by about 6 per cent and those on 25-year maturities by 1.6 per cent.

In contrast, General Accident Life has confounded the analysts by keeping all its bonus rates unchanged, as did Commercial Union which made its announcement last month, and also paying a special reversionary bonus.

As a result of this special bonus, GA Life's 10-year maturity pay-outs rise by nearly 1 per cent, and 25-year pay-outs by a spectacular 12 per cent.

Under a with-profit endowment or pension contract, investors receive returns in the form of annual bonuses added to their contracts plus a final terminal bonus paid when the contract matures. A cut in the terminal bonus rate has far more impact on pay-out values than a reduction in the annual bonus.

GA Life is in a strong financial position, with one of the highest free asset reserve ratios. It is currently at the top of the performance tables, particularly for 25-year contracts, a position it has never occupied before, placing it in a strong position in an increasingly competitive market for with-profits business.

Mr Julian Tonks, GA's chief actuary, claims he is quite relaxed about the new rates and confident that they can be maintained in the foreseeable future, unless the financial markets collapse.

Investor aged 29 at outset paying £30 a month

10-year endowments	Pay-out Jan 1 1991 £	Change over Jan 1 1990 %
CU	7,645	- 1.4
GA Life	7,029	+ 0.6
Sun Allce	6,547	- 3.3
GRE	5,892	-10.8

25-year endowments	Pay-out Jan 1 1991 £	Change over Jan 1 1990 %
GA Life	63,080	+ 12.4
CU	61,721	+ 2.5
Sun Allce	52,429	- 1.6
GRE	46,345	- 3.3

APV continues disposals as US loss-makers go

By Michiyo Nakamoto

APV, the manufacturer of food processing machinery, has taken a further step in a programme of disposals with the sale of two subsidiaries.

It has sold the blow moulding and polymer machinery divisions of APV Chemical Machinery and substantially all of their assets to Crompton and Knowles Corporation of the US, a producer and marketer of speciality chemicals, for $7.3m (£3.75m) in cash.

Mr Neil French, APV's finance director, said the decision to sell the lossmaking businesses was made last January as part of an overall strategy to return to the core business of manufacturing food-processing equipment.

The disposals come in the wake of three years of rapid growth for the company.

APV is also in the process of carrying out a large-scale restructuring programme.

In October it announced interim profits marginally ahead to £24.6m (£24.2m).

Utd Newspapers purchase

By Jane Fuller

UNITED NEWSPAPERS has bought the Informer free newspaper business of the Yellow Advertiser Newspaper Group for £11.5m.

Informer publishes free weekly newspapers in 12 editions covering parts of Surrey, Middlesex and west London. The weekly circulation is about 680,000 copies. In the year to June 1990, it made a pre-tax profit of £1.3m on sales of £11.6m.

Yang, in which United Newspapers has a 31.8 per cent stake, said the sale would reduce debt and provide additional working capital for the development of its remaining businesses. These are its original free newspaper activities in east London and Essex and the Kentish Times Group, which includes paid-for papers.

United Newspapers, which already owns The Advertiser North London Group, said that its operations and those of Yang ringed London. Following the Informer deal, ties between the two groups would be closer, enabling the sales and marketing effort to be enhanced.

Informer will become part of the United Provincial Newspapers subsidiary.

Correction

Holmes Protection

Holmes Protection Group made a pre-tax profit of $3.15m (£1.62m) for the six month period to June 30 1990, not a loss of £300,000 as we reported yesterday.

PUBLIC WORKS LOAN BOARD RATES

Effective January 2

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			12⅜			13⅛
Over 1 up to 2	12⅜	12⅜	12⅛	13⅜	13⅜	12⅞
Over 2 up to 3	12⅛	12⅛	11⅞	13⅛	13⅛	12⅝
Over 3 up to 4	12	12	11¾	13	13	12½
Over 4 up to 5	11⅞	11⅞	11¾	12⅞	12⅞	12½
Over 5 up to 6	11⅞	11⅞	11¾	12⅜	12⅜	12¼
Over 6 up to 7	11¾	11¾	11⅞	12¼	12¼	12⅜
Over 7 up to 8	11¾	11¾	12	12¼	12¼	12½
Over 8 up to 9	11¾	11¾	12	12¼	12¼	12½
Over 9 up to 10	11⅞	11⅞	12	12⅜	12⅜	12½
Over 10 up to 15	12	12	11¾	12½	12½	12¼
Over 15 up to 25	11⅞	11¾	11⅝	12⅜	12⅛	12⅛
Over 25	11⅝	11½	11½	12⅛	12	12

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
FNFC ....fin	8.5	Feb 28	8.5	13	13
Gibbs Mew § ....int	3	Apr 8	3☆	-	6.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Including property dividend of 1p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Banner Homes, Hollas.
Finals- Windsor

FUTURE DATES

Interims-	
Eastern Electricity	Jan. 10
Nobo	Jan 15
Unitech	Feb. 7
Yorkshire Electricity	Jan. 14
Finals-	
Crown Communications	Jan. 15
M & G Dual Trust	Jan. 9

Brussels prepares for CAP overhaul

By **David Gardner** in Brussels

THE EUROPEAN Commission is today to begin substantive discussion on plans to overhaul the Common Agricultural Policy, the EC's expensive system of farm subsidies, which is at the centre of the stalled Uruguay Round of negotiations to liberalise world trade.

The plans to reshape the CAP, described as "revolutionary" last month by Mr Ray MacSharry, the EC agriculture commissioner, are being uncommonly closely guarded. This is only partly because EC farmers are already up in arms about how the reforms might reduce their incomes.

According to one senior EC diplomat it is also because the commission may well take its proposals to the General Agreement on Tariffs and Trade (Gatt) – the director-general of which, Mr Arthur Dunkel, is trying to unblock the Uruguay Round impasse – before beginning the arduous task of steering them through the 12 member states.

Nor is it yet clear that the commission itself has reached a unified position on proposals that one EC diplomat placed in the realm of "ideas and reflections".

At the Uruguay Round summit meeting here last month, Mr MacSharry and Mr Frans Andriessen, the External Affairs Commissioner, disagreed sharply about how far to meet US and other farm produce exporting countries' demands to slash export subsidies and import levies. Prior to this it had taken member states' farm ministers eight meetings to agree on the 30 per cent reduction in internal supports (from 1986 to 1995) which was so roundly rejected at the summit.

Since then, however, Mr Jacques Delors, the commission president, is understood to have reached the decision that real reform of the EC's farm regime must be broached. Not only might the Uruguay Round founder if it was not, but the EC budget, of which farm spending takes around 60 per cent, would this year face renewed strains.

Reform proposals are understood to centre on:

- Switching from production subsidies through pricing, to income support targetted on smaller farmers;
- A more aggressive "set-aside" policy to take cereal land out of production;
- Greater controls on supply, including cuts in milk production, which is already subject to quotas.

The first proposal would move the EC into line with the US system of "deficiency payments" to farmers. Yet it is far from clear whether the package as a whole – if and when it emerges – will meet Washington's concerns about EC dumping of subsidised farm produce, or whether it will be less costly than current CAP provisions.

US grain offensive to continue

By **Nancy Dunne** in Washington

THE US Department of Agriculture clearly intends to maintain an aggressive posture in the world grain markets, despite an expected build-up in stocks this year.

Mr Clayton Yeutter, the US Agriculture Secretary, this week announced that American farmers receiving production subsidies and other benefits would be required to set aside the minimum number of acres required under the 1990 farm programme.

At the same time the USDA issued two new offers to sell subsidised wheat in Europe under the Export Enhancement Program, its vehicle for challenging EC export subsidies. The offers were for 100,000 tonnes to Norway and 50,000 tonnes to Finland.

Under the USDA's Acreage Reduction Program, 15 per cent of the land traditionally planted with wheat would be left fallow; 7.5 of the maize, barley and sorghum acreage must be set-aside; and 5 per cent of the cotton acres must be left unplanted.

Because of changes in last year's Farm Bill, loan rates – which generally set price floors – have been increased. The wheat loan rate this year is set at \$2.04 a bushel, up from \$1.95 a bush in 1990. The rate for maize is set at \$1.62, up from \$1.57; for sorghum, \$1.54, up 5 cents; and for barley, \$1.32 up 4 cents.

NZ wool growers hope to cast off their cares

The gloom appears to be lifting after a deeply troubled year, writes **Dai Hayward**

CHINESE HOUSEWIVES and carpet manufacturers will play a major role in determining the income of New Zealand's sheep farmers this year, and the amount of debt they will be able to repay.

New Zealand wool prices have come out of the trough and should show a modest but steady improvement in 1991, continuing the trend which started with the last two sales of last year. It will be a long haul back from the depressed price levels and demand of 1990, but there is confidence in the industry that the climb has begun at last, with market analysts predicting continued recovery in the first half of 1991.

China, which was overwhelmingly New Zealand's largest customer for wool two years ago, is expected to be back in the market soon. The quantity it purchases will have a considerable impact on prices and ultimately determine the size of the growers' wool cheque.

The recovery will also receive added impetus if sales to the Soviet Union can be resumed at any reasonable level.

In 1988 China bought 30 per cent of all New Zealand's wool exports, but its orders last year accounted for only between 5 per cent and 6 per cent of the reduced total. The drop had a major depressing effect on prices.

The New Zealand Wool Board is confident, however, that Chinese buyers will be back in greater force in 1991 and, although it does not expect sales to reach the same high level as 1988, that there will be a consequent rise in prices.

There are other signs pointing to a better year for the country's wool industry.

At the last two sales of 1990, on December 20 and 21, prices were up from those paid at auctions a week earlier by 1 per cent for cross-bred wool and 5 per cent for merino. Stronger demand also resulted in the Wool Board buying only just over 10 per cent of the offering – 5,474 bales – a much smaller percentage than at some sales earlier in the year.

The board's stockpile at the end of the year was 575,000 bales – up 83,500 bales on the start of the season in July. In its determination to hold price levels it bought considerably more than 83,500 bales, but it resold large quantities during the season.

Many brokers and exporters are now reluctant to buy at auction unless they have confirmed orders. They prefer to obtain their requirements from the board's stockpile as they receive orders from overseas customers.

Uncertainty over a possible devaluation of the NZ dollar also created buyer reluctance. It had been expected that the government would devalue the national currency in its December 19 economic package, but this did not happen. However, the floating exchange rate policy allowed the NZ dollar to fall 1.5 per cent against the US dollar and 2.5 per cent against sterling in the week to December 21, which helped to improve prices at the last sales of the year.

Large quantities of New Zealand's coarse wool are used for carpet-making, where competition from synthetics has been fierce over the past few years. Now New Zealand carpet wool is extremely competitive with synthetic fibres, which makes wool carpets cheaper at consumer level. The Wool Board estimates that New Zealand wool is now between 40 and 50 per cent cheaper for European mills than it was 18 months ago. Aware of this, many overseas manufacturers are buying more wool and are expected to increase their orders in 1991.

The average price at the end of the year was around NZ\$4 (£1.22) a kilogram. Last season the average was NZ\$6 a kilogram and that was lower than the year before.

While lower prices pleased buyers and manufacturers, they had a devastating effect on sheep-farmers' incomes. Some 30 per cent of all New Zealand wool-growers had a net income of only NZ\$10,000 this year. Another 20 per cent suffered a net loss on their operations before drawing any funds to meet personal expenses. The Wool Board places the blame for this on the EC agricultural subsidies.

New Zealand wool production this season is forecast to be down about 5,000 tonnes to 230,000 tonnes, reflecting a drop in the national sheep flock as farmers switch to alternative crops. Less wool creates more competition.

Another encouraging indication is that Western European buyers will be reasonably active in the New Year, while Japan, now New Zealand's largest wool customer, will maintain its buying level. Although the Soviet Union undertook to settle its debts, 20 per cent in value of New Zealand wool shipped there in 1990 was still not paid for by Christmas. There are hopes that these debts will be settled in January, leading to resumed exports to the Soviet Union.

In July, the Wool Board had NZ\$165m in reserves to finance its price support policy, and it still has well over NZ\$100m to continue support in 1991. There are indications that wool buyers now accept that both New Zealand and Australia are committed to maintaining a floor price in 1991. Although the huge stockpile of Australian wool has a depressing effect on the world market, New Zealand is confident that prices for its wool will show a modest increase in the coming months.

Although prospects are improving for New Zealand sheep farmers, they dare not hope for a prosperous new year. An easing of the financial hardship many endured in 1990 is the best they can look forward to.

NEW ZEALAND will be shipping more lamb to world markets in 1991. The spring lamb crop, helped by warm weather and good, grass growing conditions, was up by 2m head to 41.2m compared with last year. With the killing season now in full swing slaughtering will be up by 6.1 per cent to 25.7m head.

New Zealand is the world's largest lamb exporting country and this year will ship 348,900 tonnes of lamb to almost 100 different countries.

Shipments to the UK, once New Zealand's sole market, will be restricted because of EC regulations which limit sheepmeat exports to Europe and also increased competition from domestic lamb.

Middle East countries are expected to buy more this year with sales to Japan showing a modest increase.

Farmers have almost completed rebuilding their flocks, which were heavily depleted during the severe drought of 1988-89.

Mutton exports are still showing the effect of the drought, with exports last year down by 18.9 per cent to 83,000 tonnes. The Middle East, Japan and the Soviet Union are the largest buyers of mutton.

Growing potatoes the watertight way

David Spark on a new technique for minimising irrigation

COMPUTER programmes devised by a Cambridge researcher working with data from a new field weather station are offering farmers a new defence against their environmentalist critics. They make it possible to get irrigation of potatoes almost exactly right, thus avoiding a drainage of excess water that would wash polluting nitrates into the public water supply.

In ten sensitive areas, the Ministry of Agriculture is trying to persuade farmers to reduce their use of nitrate fertilisers. Accurate control of irrigation offers another approach to the problem. Potatoes need a lot of water and much of the British crop is irrigated. Sugar beet gets of a lot of irrigation too.

In a potato-growing trial staged by Walker's and Smith's crisps at Bilsthorpe, Nottinghamshire, an irrigation-control system devised by Mr Eric Allen of Cambridge University Farm produced similar crops to another irrigation-control system that put on 38 mm more water. Mr Allen believes that 28 mm of the extra 38 mm drained out of the soil, taking nitrate into the groundwater.

He has been studying the control of irrigation since realising that it was "ludicrous" to irrigate without knowing how the roots of the plants perform. At Bilsthorpe, the potato roots went down a metre and could have gone further in a less hot summer. The greater the root depth, the more water the plants obtain from the soil and the less irrigation they need.

The Allen system discourages irrigation early in the season because this can make plant roots stay shallow instead of reaching down deep.

To calculate the need for irrigation water, the system has to set off the rainfall and the water available in the soil against the requirements of the plants and the water which the atmosphere will draw from the leaves.

For Bilsthorpe, Mr, Allen obtained data on temperature, rainfall and solar radiation from an ELE environmental station set up in the demonstration field at C.A. Strewson's farm. This records environmental data automatically every hour.

He also obtained regular information on the depth reached by roots and on the amount of ground covered by the plants. With all this data, his computer programmes produced advice on the irrigation water to be applied if no rain fell.

He provides a similar service for other farms. They send in data and he sends back advice based on it. The farmers, he points out, need to be confident that, if they follow the advice, they will not be penalised in terms of quality or yield.

For sugar-beet growers, the Broom's Barn Station of the Institute of Arabic crops research produces irrigation advice. But this is worked out for sugar-factory areas, not individual farms.

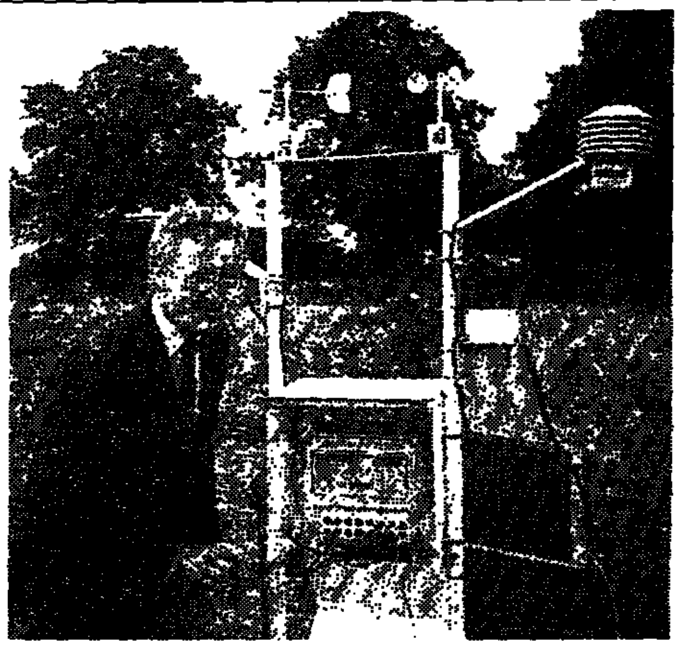
For Smith's Crisps, Mr Allen has initiated seed-potato production in Suffolk with the aim of minimising the fungus diseases that cause problems for crisp-makers. The prevailing wind blows in off a fungus-free sea.

One disease, stem canker, results in potatoes of widely differing size, instead of the regularity the crispers require. Skin spot penetrates deeper into stored potatoes when they are treated to suppress sprouting. Mr Mike Kirkman of Walker's says skin spot can cost the company and its growers £500,000 in a bad year.

The shorter the growing time, the less the fungal contamination. So the Suffolk seed is grown only nine to 11 weeks. It produces small potatoes but Mr Allen believes this does not affect the subsequent crop. At Bilsthorpe, Suffolk seed was equal top for yield.

Disease-free potatoes obtained by micropropagation will be fed through the Suffolk system.

The Bilsthorpe trials included potato varieties from Holland, Germany, Austria, Canada, the US and Japan but none looks like displacing Record, the British crisp-makers' favourite for 50 years.



Eric Allen with the field environmental station

Record is susceptible to viruses, has a moderate sugar content (which causes browning in crisps) and cannot be stored cold, which means it has to be treated in store to prevent sprouting. But its yield, texture and high dry-matter content make it hard to beat in British conditions.

Walkers is, however, getting a German variety called Erntestolz grown in Cornwall. Lifted in the first week of July, it is low in sugar and can be stored for a month to keep the crisp factories supplied early in the season.

SA bank sends bullish signal to gold market

By **Kenneth Gooding**, Mining Correspondent

THE SOUTH African Reserve Bank, the country's central bank, yesterday sent a signal to gold producers by revealing it had cut its forward bullion sales because it anticipated that tension in the Gulf would soon send gold prices higher.

Some observers took this to be the bank's way of encouraging gold producers around the world to stop putting a "cap" on the price by forward selling.

Producer forward selling has been particularly noticeable recently every time gold came close to US\$400 a troy ounce.

The mining team at the Barclay de Zoete Wedd financial services group has calculated that in the third quarter of 1990 – when the gold price last rose above \$400 an ounce – some 5.1m ounces (159 tonnes) of future gold production was sold by producers.

According to BZW estimates, the amount of gold bullion sold in the third quarter represented about 19.8 per cent of total estimated 1991 production from South Africa, Australia and North America. The total amount of gold hedged at the end of the quarter increased to about 70 per cent of estimated 1991 production and about 9.9 per cent of known gold reserves in the ground.

"This represents the most extensive hedge position producers have ever established," said Mr Richard Kornman, one of the BZW analysts who produced a special report on the impact of gold hedging.

"The degree of producer influence on bullion markets has steadily increased and now has a marked influence on rallies in the gold price," he added. "A vast range of hedging vehicles is available and the effect is that sharp rises in the gold price are met with an increased amount of supply."

BZW said before the gold market could reach an equilibrium a minimum hedge position for the industry might have to be established. "That may be 16.3m ounces away if North American and South African producers come up to the level of hedging of the Australian producers."

WORLD COMMODITIES PRICES

MARKET REPORT

THE GOLD price on the London bullion market followed the New York quotation lower yesterday in response to French press reports, later denied, that Iraq had agreed in principle to pull out of Kuwait. But the market steadied in late afternoon with the price ending at \$386.25 a troy ounce, down \$6 from Wednesday's close. The silver price was also lower in the morning, when it was fixed 6.9 cents lower at 409.65 cents a troy ounce. But bargain hunter's were attracted at that level and the price closed nearly 7 cents above the fixing level. At the London Metal Exchange the copper market surrendered most of Wednesday's rise, with the cash position closing at \$1,346 a tonne, down \$22 on the day. Dealers said in the absence of any fundamental reason for recent gains the market had been left vulnerable to speculative selling and profit-taking. At the London Futures and Options Exchange freight rate futures were mostly easier in what dealers described as a technical correction to the pre-Christmas rise. "Prior to Christmas the market was on a very strong note and technically it was overbought. We had a bit of a profit-taking shake-out today," one explained.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	\$20.95-1.10q	-1.43
Brent Blend (dated)	\$25.00-5.15	-1.78
Brent Blend (February)	\$24.85-4.95	-1.60
W.T.I. (1 pm est)	\$25.30-5.40t	-1.72
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$254-258	-15½
Gas Oil	\$243-245	-24
Heavy Fuel Oil	\$131-134	-4
Naphtha	\$257-262	-17½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	\$386.25	-6.00
Silver (per troy oz)♣	409 65c	-6.90
Platinum (per troy oz)	\$412.00	+1.50
Palladium (per troy oz)	\$82.00	+0.50
Aluminium (free market)	\$1555	+20
Copper (US Producer)	124c	+2
Lead (US Producer)	50c	
Nickel (free market)	388c	+3
Tin (Kuala Lumpur market)	14.84r	-0.02
Tin (New York)	281c	+3
Zinc (US Prime Western)	70c	
Cattle (live weight)†	107.51p	-4.14*
Sheep (dead weight)†	142.52p	-18.4*
Pigs (live weight)†	76.14p	-10.1*
London daily sugar (raw)	\$228.8z	-7.2
London daily sugar (white)	\$295 5z	-4.5
Tate and Lyle export price	£225.0	-4.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£183.0	
Wheat (US Dark Northern)	£87.0	
Rubber (Feb)♥	50.50p	-0.50
Rubber (Mar)♥	50.75p	-0.50
Rubber (KL RSS No 1 Jan)	239.0m	-1.0
Coconut oil (Philippines)§	350.0z	
Palm Oil (Malaysian)§	350.0	
Copra (Philippines)§	\$242.5x	+2.5
Soyabeans (US)	£134.0	-1.5
Cotton "A" index	83.30c	-1.00
Wooltops (64s Super)	414p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Feb/Mar z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			(\$ per tonne)
Raw	**Close**	**Previous**	**High/Low**
Mar	202.80	203.20	205.00 200.80
May	205.00	206.00	207.40 205.00
Aug	210.00	212.00	210.40 209.20
Mar	212.40	211.60	212.40
White	**Close**	**Previous**	**High/Low**
Mar	292.8	294.2	296.0 292.7
May	292.5	294.0	294.5 292.5
Aug	300.8	301.0	301.0 299.8
Oct	279.0	280.5	280.0 279.0
Mar	275.6	277.5	278.0 275.5

Turnover: Raw 1485 (2862) lots of 50 tonnes. White 706 (1853)
Paris- White (FFr per tonne): Mar 1497, May 1503, Aug 1548, Oct 1446.

CRUDE OIL – IPE			\$/barrel
	Latest	Previous	High/Low
Feb	25.05	25.44	26.50 24.60
Mar	24.30	25.32	25.60 23.90
Apr	23.60	24.40	24.85 23.35
May	22.76	23.30	22.76
Jul	21.75	22.30	21.75
IPE Index	27.11	27 60	27.60 27.11

Turnover 14587 (6460)

GAS OIL – IPE			\$/tonne
	Latest	Previous	High/Low
Jan	238.75	258.50	256.50 235.00
Feb	226.00	246.75	244.00 225.50
Mar	214.00	233.50	231.75 214.00
Apr	204.00	220.50	219.00 204 00
May	200.00	215 00	213.00 200.00
Jun	198.00	212.00	212.00 198.00
Jul	196.00	211.00	195.00 195.00

Turnover 9640 (5371) lots of 100 tonnes

FRUIT & VEGETABLES
Pineapples at 70p-£2.00 each (70p-£1.50) depending on on size are this weeks best buy, reports FFVIB. Apples are great value with Cox's at 40-60p a lb (40-60p), French golden delicious at 40-50p (40-50p). Bananas at 40-55p (40-55p) remain at a stable price as do kiwifruit at 16-24p each (16-24p). Citrus fruits such as oranges at 8-28p (8-28p) are still great value. Cauliflowers are abundant at 55-75p (50-60p), as are Brussel sprouts at 25-40p a lb (25-40p), carrots at 20-30p a lb (20-30p), parsnips at 25-35p (25-35p). The best salad buys are British, Dutch and Belgian round lettuce at 22-28p (22-28p).

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	646	648	656 646
May	679	680	890 677
Jul	710	708	715 708
Sep	741	739	743 740
Dec	772	770	774 770
Mar	795	796	797 795

Turnover: 2310 (3797) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 2 865.75 (877.26) 10 day average for Jan 3 881.63 (891.26)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Jan	610	610	610 605
Mar	574	568	575 569
May	583	575	584 576
Jul	600	592	600 592
Sep	616	607	616 607
Nov	630	622	624 624
Jan	644	635	636 636

Turnover: 871 (2073) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 2: Comp. daily 70.27 (70.28). 15 day average 72.68 (72.94)

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Apr	129.8	131.5	130.5 128.7
May	148.0	151.5	148.0

Turnover 186 (149) lots of 40 tonnes.

SOYAMEAL – HI-PRO			£/tonne
	Close	Previous	High/Low
Apr	115.30	115.00	115.30
Jun	116.50	116.75	116.50
Aug	118.00	117.50	118.00

Turnover 65 (25) lots of 20 tonnes.

FREIGHT FUTURES – BFE			\$10/index point
	Close	Previous	High/Low
Jan	1405	1450	1438 1415
Feb	1375	1410	1390 1390
Apr	1302	1308	1320 1300
Jul	1020	1018	1020
BFI	1446	1447	1446

Turnover 142 (15)

GRAINS – BFE			£/tonne
Wheat	**Close**	**Previous**	**High/Low**
Jan	120.10	120.35	120.30 120.25
Mar	123 35	123.55	123.50 123.40
May	126.85	127.00	126.95
Sep	108.75	108.75	108.75
Barley	**Close**	**Previous**	**High/Low**
Jan	114 60	114.50	114.60
Mar	118 35	118.20	118.35 118.20

Turnover. Wheat 137 (139), Barley 13 (10). Turnover lots of 100 tonnes

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Mar	95.5	95.5	95.5
Aug	98 5	98.5	98.0
Sep	99 5	100.5	100.0

Turnover 13 (12) lots of 3,250 kg

LONDON METAL EXCHANGE		(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity (\$ per tonne)						Total daily turnover 17,144 lots
Cash	1557-60	1541-3		1554-5		
3 months	1591-2	1576-8	1595/1575	1587-8	1588-90	56,393 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,240 lots
Cash	1345-7	1387-9	1346/1345	1344-5		
3 months	1359-60	1373-4	1372/1352	1356-7	1355-6	103,284 lots
Lead (£ per tonne)						Total daily turnover 1,483 lots
Cash	315-6	322-3		315-5.5		
3 months	330-1	334 5-5	335/329	329-9.5	334-5	10,541 lots
Nickel (\$ per tonne)						Total daily turnover 1,146 lots
Cash	8370-80	8300-50	8380/8325	8325-30		
3 months	8330-50	8300-25	8330/8275	8310-30	8325-50	7,589 lots
Tin (\$ per tonne)						Total daily turnover 1541 lots
Cash	5560-70	5555-65	5555	5555-60		
3 months	5675-80	5670-5	5750/5670	5670-80	5740-50	6,678 lots
Zinc, Special High Grade (\$ per tonne)						Total daily turnover 4,683 lots
Cash	1256-7	1257-8	1256/1255	1255-6		
3 months	1256-7	1257-8	1265/1255	1255-6	1256-7	17,973 lots

LME Closing £/$ rate:
SPOT: 1.9470 | 3 months: 1.9164 | 6 months: 1.8883 | 9 months: 1.8675

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	161.80	161.20			
Jan	163.00	162.40	163.20	163.00	109
Feb	163.30	162.50	164.00	163.30	151
Mar	163.50	162.20	163.50	163.20	20
Jun	161.30	161.10	161.70	161.30	163
Sep	160.80	160 20	160.80		76

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	\$ price	£ equivalent
Close	386.00-386.50	
Opening	387.80-388.20	
Morning fix	386.75	198.741
Afternoon fix	386.30	196.428
Day's high	387.80-388.20	
Day's low	383.50-384.00	

Loco Ldn Mean Gold Lending Rates (Vs US\$)			
1 month	5.71	6 months	5.33
2 months	5.55	12 months	5.23
3 months	5.42		

Silver fix	p/fine oz	US cts equiv
Spot	210 45	409.65
3 months	217.65	417.10
6 months	224.60	425.00
12 months	237.75	440 40

TRADED OPTIONS

Coffee	Mar	May	Mar	May
500	77	87	3	4
550	38	48	14	50
600	16	22	42	39
Cocoa	**Mar**	**May**	**Mar**	**May**
600	60	91	12	13
650	31	58	33	30
700	14	34	66	56

Brent Crude	Feb	Mar	Feb	Mar
2500		240	50	285
2550				
2600	125		125	355

New York

GOLD 100 troy oz.; \$/troy oz.				
	Close	Previous	High/Low	
Jan	386.5	389.1	0	0
Feb	388.9	391.1	390.0	385.0
Mar	390.3	392.6	0	0
Apr	392.1	394.4	392.7	388.0
Jun	395.6	398.0	396.3	393.0
Aug	398.9	401.4	0	0
Oct	402.2	404.7	402.5	401.8
Dec	405.6	408.1	405.5	404.3
Feb	409.3	411.9	409.0	409.0

PLATINUM 50 troy oz; \$/troy oz.				
	Close	Previous	High/Low	
Jan	411.4	409.2	412.6	405.0
Apr	415.9	413.5	417.5	410.2
Jul	419.9	417.1	419.3	414.5
Oct	423.9	421.2	425.0	418.5
Jan	428.7	425.0	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	421.4	411.4	420.0	408.5
Feb	424.0	414.0	0	0
Mar	426.7	416.7	428 5	412.0
May	432.5	422.3	434.0	419.5
Jul	438.0	427.7	439.0	424.0
Sep	443.6	433.2	443.0	441.5
Dec	451.4	440.9	452.0	449.0
Jan	453.4	442.9	0	0
Mar	459.6	449.2	448.0	448.0
May	465.7	455.0	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan 3	Jan 2	mnth ago	yr ago
1697.7	1708.8	1716.5	1828.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.2	Dec 31	mnth ago	yr ago
Spot	123.70	124.97	122.80	127.36
Futures	126.81	127.76	124.42	129.73

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	117.15	120.05	118.50	117.10
Feb	117.15	120.30	118.70	117.10
Mar	116.30	119.30	117.80	115.90
Apr	114.85	117.05	114.70	114.70
May	113.10	115.80	114.50	112.90
Jun	111.90	114.80	0	0
Jul	110.70	113.30	111.85	110.90
Aug	109.80	112.35	0	0
Sep	108.90	111.40	110.00	109.30
Oct	108.15	110.60	0	0

CRUDE OIL (Light) 42,000 US galls \$/barrel				
	Latest	Previous	High/Low	
Feb	25.40	26.49	26.20	24.90
Mar	24.80	25.90	25.50	24.40
May	23.65	24.30	23.85	23.20
Jun	23.10	23.82	23.25	22.70
Aug	21.95	22.47	22.10	21.90
Sep	21.70	22.17	21.82	21.51
Oct	21.60	21.97	21.65	21.20
Nov	21.50	21.82	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	7040	7330	7265	6960
Mar	6780	7068	6980	6715
Apr	6530	6750	6630	6450
Jun	6140	6265	6175	6050
Jul	6020	6180	6100	5970
Aug	6030	6210	6110	6000
Sep	6130	6310	6200	6095
Oct	6240	6390	6290	6240

COCOA 10 tonnes;\$/tonnes				
	Close	Previous	High/Low	
Mar	1141	1146	1160	1140
May	1185	1186	1196	1183
Jul	1228	1230	1235	1228
Sep	1267	1268	1270	1270
Dec	1313	1315	1320	1313
Mar	1360	1357	1360	1360
May	1390	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	89.25	88.05	90.10	87.75
May	91.70	90.50	92.30	90.20
Jul	94.15	92.75	94.25	92.50
Sep	96.50	94.90	96.50	94.90
Dec	98.75	97.50	0	0
Mar	101.25	100.70	0	0
May	102.50	102.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	9.11	9.12	9.25	9.05
May	9.23	9.22	9.33	9.15
Jul	9.28	9.28	9.36	9.21
Oct	9.29	9.34	9.42	9.23
Mar	9.42	9.46	9.38	9.34
May	9.45	9.48	9.45	9.45

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	76.80	75.80	77.00	75.05
May	75.05	74.19	75.15	73.80
Jul	74.50	73.58	74.50	73.31
Oct	67.63	67.58	67.65	67.25
Dec	64.50	64.49	64.60	64.12
Mar	65.35	65.40	65.30	64.90
May	65.70	65.70	66.00	65.60

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	106.15	105.35	106.25	103.50
Mar	109.15	111.15	109.00	108.15
May	110.75	114.00	110.75	109.00
Jul	111.75	115.85	112.50	110.85

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	558/4	553/6	559/0	554/0
Mar	570/2	567/2	571/6	567/0
May	584/0	581/4	586/4	581/4
Jul	597/0	594/6	599/2	595/0
Aug	600/2	598/4	601/4	599/6
Sep	598/6	599/0	601/0	598/4
Nov	601/6	602/6	606/0	601/4
Jan	613/4	615/0	616/0	613/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	20.39	20.44	20.48	20.30
Mar	20.71	20.73	20.80	20.60
May	21.09	21.13	21.15	21.00
Jul	21.37	21.44	21.45	21.28
Aug	21.31	21.40	21.42	21.30
Sep	21.30	21.48	21.46	21.30
Oct	21.30	21.45	21.47	21.30
Dec	21.36	21.55	21.60	21.35

SOYABEAN MEAL 100 tons; \$/ton				
	Close	Previous	High/Low	
Jan	165.3	162.8	165.5	163.0
Mar	169.9	167.7	170.1	167.9
May	173.8	172.1	174.5	172.5
Jul	177.9	176.4	178.5	176.7
Aug	179.2	177.7	180.0	178.6
Sep	179.5	178.5	180.5	179.8
Oct	179.0	178.5	180.5	179.0
Dec	181.2	181.0	182.0	180.9

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	232/2	231/6	233/0	231/6
May	240/0	239/2	240/4	239/2
Jul	246/2	245/2	246/6	245/4
Sep	247/2	247/0	248/6	247/2
Dec	248/6	248/4	249/6	248/4
Mar	255/6	255/4	256/0	255/2
May	259/6	258/6	260/0	259/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	259/4	263/4	262/6	258/4
May	266/6	269/6	268/2	265/4
Jul	270/4	273/2	273/2	270/2
Sep	277/0	279/6	279/6	277/0
Dec	288/6	292/4	291/4	288/6
Mar	296/0	298/6	296/4	296/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	77.45	77.07	77.70	76.95
Apr	76.35	76.10	76.50	76.00
Jun	74.65	74.42	74.80	74.30
Aug	73.17	72.95	73.25	72.80
Oct	73.05	72.85	73.40	72.99
Dec	73.55	73.25	73.75	73.45
Feb	73.25	73.25	0	0

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	48.55	48.07	48.82	48.00
Apr	46.47	46.15	46.56	45.90
Jun	51.32	50.87	51.40	50.75
Jul	51.25	51.00	51.25	50.80
Aug	49.12	49.25	49.20	48.75
Oct	44.42	44.60	44.65	44.35
Dec	45.00	44.90	45.00	44.80

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	62.90	61.12	63.00	60.77
Mar	62.02	60.62	62.10	60.00
May	62.65	61.60	62.70	61.10
Jul	62.65	61.67	62.70	61.15
Aug	60.25	60.00	60.80	59.75

LONDON STOCK EXCHANGE

Equities unnerved by Gulf anxieties

SPECULATION over possible developments in the Gulf held all the attention yesterday in a UK stock market now transfixed by the increasing evidence of recessionary pressures on the UK economy. After a weak start, share prices staged a modest rally as the US offered to meet Iraqi negotiators ahead of the January 15 UN deadline.

The chief surprise of the session came when an international newsagency reported stories in the French press that Iraq had agreed in secret negotiations to withdraw from Kuwait. However, the London stock market took these reports, which were later doubted by US sources, with a large pinch of salt.

Equities opened lower but were helped briefly by a strong performance from the UK bond market. Although bonds remained strong, equities soon turned easier again as further reports of disappointing Christmas business from the retail trade backed up the latest warnings from City economics analysts of the depth of the recession now acknowledged to be hanging over the UK.

Account Dealing Dates		
*First Dealings:		
Dec 10	Dec 31	Jan 14
Option Declarations:		
Dec 27	Jan 10	Jan 24
Last Dealings:		
Dec 28	Jan 11	Jan 25
Account Day:		
Jan 7	Jan 21	Feb 4

*New-time dealings may take place from 8.30 am two business days earlier.

Particularly unsettling for the equity market was the view from several commentators that ERM membership has reduced the scope for a reduction in UK interest rates, a view which undermines optimism for the 1991 outlook in equities.

Firmness in sterling, which stimulated the gains in gilt-edged stocks, was little help to the equity market, where hopes for an early cut in domestic interest rates have now been shelved. Interest rate-orientated issues, including stores and building issues, turned lower again yesterday, albeit in light selling.

At worst, the market was down by 22 points on the FT-SE scale. The downturn also reflected a sell programme by a leading London market-making firm focused on the oil share sector.

But the market's loss was swiftly halved when the agency reports from Paris prompted speculative buying of the FT-SE futures contract, widening the premium on the March contract to around 40 points. A sharp dip in North Brent crude oil prices on the Paris reports was also encouraging for share prices.

Excitement soon faded, however, as traders took a more sceptical look at the French reports, and an EC spokesman said that the Community would insist in any negotiations on Iraq's total withdrawal from Kuwait.

By the close, the FT-SE Index had settled at 2,117.8 for a fall on the day of 10.5 points. Seaq trading volume increased sharply from Wednesday's 234.1m shares to 381.2m yesterday, the highest figure recorded since the onset of the Christmas season.

However, yesterday's business was somewhat selective, with the trading programme lifting turnover in BP and Shell, two of the market's large volume stocks. Business in many blue chip issues, such as BOC and Midland Bank, was unimpressive. Traders said that business was not notably higher across the broad range of the market.

"We are simply drifting while we wait for the Gulf deadline (January 15)," commented one trader. Many senior City professionals have extended the Christmas break until the weekend, on the assumption that little change in the investment mood is likely before then.

The negative London mood was heightened by the early fall on Wall Street, which was showing a loss of 9 Dow points when London finished trading for the day.

FINANCIAL TIMES STOCK INDICES

	Jan 3	Jan 2	Dec 31	Dec 28	Dec 27	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	82.91	82.17	82.03	82.11	82.20	84.16	84.20 (2/1/90)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.91	90.59	90.62	90.62	90.69	92.64	92.91 (8/1/90)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1648.5	1655.7	1673.7	1685.2	1687.8	1968.3	1968.3 (3/1/90)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	155.5	156.9	154.6	150.0	149.9	308.9	378.5 (6/2/90)	136.2 (18/12/90)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2117.8	2128.3	2143.5	2160.4	2167.8	2463.7	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	937.41	931.10	938.05♣	937.25	946.51	-	1003.35 (6/12/90)	931.10 (2/1/91)	1003.35 (6/12/90)	931.10 (2/1/91)
Ord. Div Yield	5.81	5.79	5.73	5.70	5.68	4.34				
Earning Yld %(full)	12.11	12.05	11.96	11.89	11.87	10.60				
P/E Ratio(Net)(☆)	9.98	10.03	10.10	10.16	10.18	11.42				
SEAQ Bargns 4.45pm	30,790	28,728	15,018	31,616	22,370	44,222				
Equity Turnover(£m)†	-	379.66	255.24	381.78	375.74	1048.63				
Equity Bargains†	-	30,326	16,435	34,084	24,940	44,088				
Shares Traded (ml)†	-	193.9	120.6	207.9	196.9	490.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.81 ♣ Indicative.

Ordinary Share Index, Hourly changes — Day's High 1652.6 — Day's Low 1635.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1649.4	1651.6	1643.6	1643.1	1635.7	1644.4	1647.5	1648.0	1649.0

FT-SE, Hourly changes — Day's High 2124.4 — Day's Low 2106.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2121.1	2123.4	2115.1	2114.7	2106.5	2114.7	2118.8	2118.2	2118.0

FT-SE Eurotrack 100, hourly changes — Day's High 939.54 — Day's Low 930.89

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
931.34	931.07	932.28	933.18	934.17	936.70	936.85

GILT EDGED ACTIVITY

Indices*	Jan 2	Dec 31
Gilt Edged Bargains	58.1	27.6
5 – Day average	38.3	40.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

RTZ hit by profits downgrade

INTERNATIONAL mining and industrial major RTZ was yet another leading UK group to feel the market effects of a profits downgrade. The slide in the shares occurred as equities were showing sensitivity to further bearish views on the economy, low business volumes and the rebound in the sterling exchange rate. The upshot was a closing loss of 18 at 430p in RTZ, a move which affected sentiment in its Australian associate CRA, down 16 at 367p.

Underperformance is likely because of expectations of lower metal prices this year, according to Mr Euan Worthington, mining specialist at S.G. Warburg. He said that currency translations, the recession in the UK and the possibility of lower than expected iron ore prices could also impact adversely.

Warburg's new estimate for 1991 profits is £450m, down from £505m, with earnings per share cut to 45p from 50.9p. But for the year just ended, Mr Worthington has merely fine-tuned from £510m to £505m. With overseas associates CRA and Rio Algom scheduled to make trading statements before RTZ, which reports annual results late in March, there could be further downgrades, he added.

Oils active

A burst of activity in the recently subdued oil sector was said by specialists to have represented a substantial disposal of oil shares by a single large institution thought to have been overweight in oil shares.

The sell programme, made up of large blocks of BP, Shell, Enterprise Oil and Lasmo, was believed to have been conducted by Smith New Court, and worth some £40m. Smith acknowledged it had traded substantial amounts of oil shares, but declined to comment further.

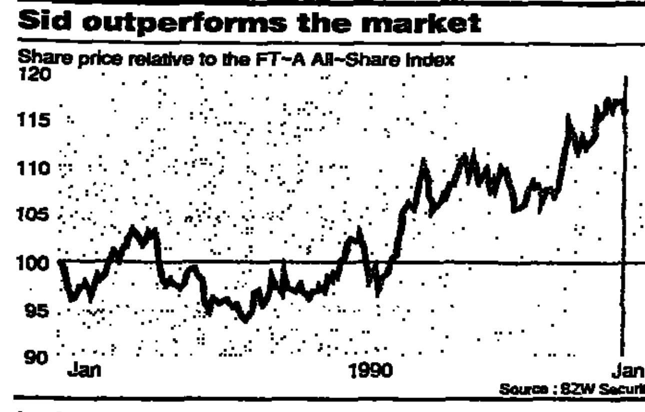
The Seaq ticker provided evidence of large deals later in the session. Blocks of all four oil shares were recorded on the screens, including 4.2m Shell, 4.1m BP, 1.9m Lasmo and 470,000 Enterprise.

The programme trade activity did minimal damage to the sector, which was additionally unsettled by the decline in crude oil prices. This followed reports of a possible Iraqi withdrawal from Kuwait and of a "last-chance" meeting of top US-Iraqi officials to try to prevent war in the Gulf.

BP settled 7 off at 328p on 6.6m shares, Shell dipped 8 to 453p on 6.1m, Lasmo 9 to 371p on 2.8m and Enterprise 10 to 601p on 1.1m.

Sid outperforms the market

Share price relative to the FT-A All-Share Index



Source: BZW Securities

An investor in UK privatisation stocks (christened Sid in government promotional advertising for the British Gas issue) has comfortably outpaced the overall UK equity market since mid-1990. Sid's portfolio, comprising British Telecom, British Gas, the Water Package and the Electricity Package, consolidated its position during December as the new electricity issues came on stream and the privatised state utilities were identified as attractive defensive stocks in a time of economic recession.

RMC depressed

Profits downgrades of RMC, the building materials group, by BZW and other broking houses depressed the shares and led to sympathetic falls among other building-related stocks.

BZW's Mr Mark Stockdale, citing weakening markets in the US and France and the effect of high interest rates in the UK, lowered his forecast for 1991 from £218m to £205m. "The shares look fully valued in the short term on 13.5 times earnings," commented the BZW analyst.

Other building area specialists said the hefty falls in the sector might have been overdone. "Marketmakers cut their prices across the board after RMC gave way, and there was very little activity thereafter," said one.

Leading building issues to lose ground included Tarmac, which fell 8 to 235p, and Taylor Woodrow, off 7 at 208p. A profits downgrade of Ibstock Johnsen by Smith New Court lowered the shares 4 to 95p and impacted on Steetley, which settled 9 down at 342p.

The latest reports of Christmas trading from the stores were more encouraging than the market had expected and lifted the sector. Boots had disappointed in the previous session after it said December trading had been considerably below target, but yesterday the shares added 4 at 312p.

However, Storehouse said that sales had been in line with those of the previous year; Ratners said Christmas had been satisfactory; and Argos described the two weeks before Christmas as very encouraging. Storehouse ended 3 lower at 110p, Ratners was up 7 at 165p and Argos shed a penny to 242p.

With sales below target, however, analysts lowered their current year profit forecasts for Storehouse to £25m from £32m and for Ratners to £115m from £125m.

W.H. Smith "A" receded 3 to 372p as brokers began to consider shaving their interim forecasts by £2m from the current £36m to £37m. Smith reports at the end of January and is therefore not commenting on recent trading.

Fisons recovered from recent weakness which reflected disappointment that the company's asthma treatment Tilade had not received final approval from the US Food and Drugs Administration on December 31. Mr Ian Moore at UBS Phillips & Drew said the arrival of a new chief at the FDA's chemistry section meant that approval was likely to be delayed by a few weeks, but that this would not make much difference to the profitability of the drug. The key was to get approval in time for the annual increase in asthma cases in March, added Mr Moore. Fisons firmed 2 to 369p.

Reports that UK new car sales in 1990 would show a 15 per cent fall on the record total for 1989 hurt many automotive component manufacturers. The figures implied job cuts may be necessary within the industry this year, which sources believe could be even worse because of high interest rates and the current recessionary climate.

The brunt of the losses were borne by Lucas Industries, down 5 at 138p, and Laird Group, which lost 7½ to 187½p. GKN slipped 3 to 324p. Glynwed International, exposed to construction as well as to the motor industry, gave up 6 at 208p.

The bearishness sweeping the construction sector yesterday meant easier trends in FT-SE constituents Trafalgar House, down 4 at 195p after 191p, and Pilkington, a further 2 off at 174p.

Other losers included recent good performers such as London International (LIG). Unnoticed by many, said a dealer, the shares got ahead of the game and attained a 1990/91 high point earlier this week. However, when sellers appeared yesterday the price retreated quickly to close 7 lower at 250p.

The early morning announcement from Sun Alliance that it had cut its life bonus rate was said by one dealer in insurances to have prompted another sharp marking down of both the life and composite sectors. But the composites, badly mauled recently by heavy profits downgrades triggered by storm and subsidence claims and most recently a warning from Guardian Royal, staged a strong run later in the session and closed with good gains on the day.

The late rally was attributed to General Accident maintaining its bonus rates and a feeling that the recent selling had been overdone.

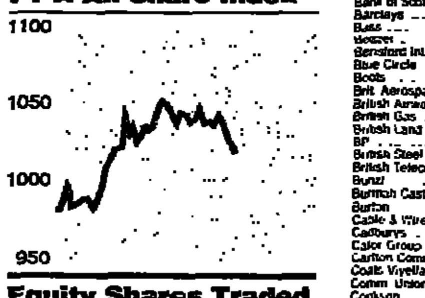
General Accident celebrated with a rise of 11 to 469p, while Guardian Royal moved up 8 to 187p on good turnover of 2.4m and Commercial Union 7 to 455p. Sun Alliance improved 4 to 330p.

US buying in the afternoon session pulled Grand Metropolitan up from early weakness. The shares ended a penny better on the day at 667p, having bottomed at 661p.

Unigate eased a penny to 267p after Hoare Govett lowered its current year estimate by £3m to £87m due to tough trading in farm foods.

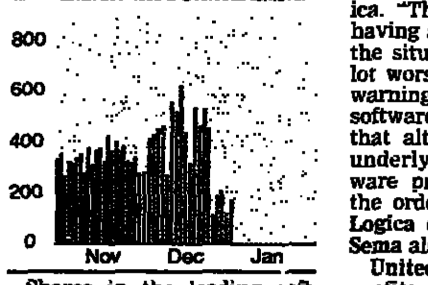
There were suggestions of switching into Northern Foods, up 5 at 340p. Iceland Frozen Foods dipped a further 5 to 272p in the wake of Hoare Govett's £3m cut in its current year profits estimate to £45m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Shares in the leading software houses were given a rough ride in the market after news of the job losses at its US operation announced by Logica. "The software houses are having a ghastly time of it and the situation now is looking a lot worse than Logica's profits warning in November," said a software specialist, who added that although there remained underlying demand for software products the placing of the orders was being delayed. Logica declined 7 to 160p and Sema also lost 7 to 485p.

Unitech, hit hard recently by profits downgrades, suffered another reversal, closing 13 off at 160p.

The second best performer of the day among FT-SE 100 stocks was Hammerson. The A shares rose 10 to 633p on renewed talk that Hong Kong Land might make a bid. Turnover, however, was low. One marketmaker said: "If anyone believed the Hong Kong Land story, there would be more than 41,000 Hammerson traded."

Frogmore Estates, the property investment and trading group, fell 12 to 304p after what traders described as a badly handled sell order. The stock had been strong since late October, although traders suggested that yesterday's drop was also prompted by uncertainty over the fate of Markheath's more than 27 per cent stake in the company.

Markheath, which reveals interim results on January 11, is 52 per cent owned by the Australian conglomerate Adelaide Steamship, and analysts have suggested that Adsteam might be able to cuts its debt by selling the shareholding in Frogmore.

■ Other Market statistics, including the FT-Actuaries share index, Page 18

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	743	109	-2	Dixons	4,500	137	+1	Manweb	3,100	193	+1	Smith (W.H.) A	433	372	-3
ASDA Group	1,600	115	-1	ECC Group	535	343	-7	Marks & Spencer	3,400	223	+3	Smith & Nephew	1,400	102½	-1½
Abbey National	970	227	-2	Eastern Elect.	3,500	140		Maxwell Comms	218	149	-2	SmKl Beecham	1,800	617	-12
Allied-Lyons	2,300	484	+1	East Midland Elect.	3,000	143	-3	Midland Bank	395	180	-1	SmKl Beecham Uts.	140	2708	-27
Amstrad	1,600	62		Enterprise Oil	1,100	601	-10	Midlands Elect.	4,100	138½	+1½	Smiths Inds.	148	222	-1
Anglian Water	[illegible]	265		Eurotunnel Units	292	383	-2	NatWest Bank	3,700	266	+1	Southern Elect.	4,200	143	
Argos	382	242	-1	FNI	158	48		Next	9,000	13½		South Wales Elect.	2,800	160	-5
Argyll Group	1,000	245	+2	Ferranti	1,700	14½	+½	North West Water	1,400	263		South West Water	72	263	+1
Ass. Brit Foods	772	434	+6	Fisons	1,900	369	+2	Northern Elect.	1,700	147		South West Elect.	1,000	147	-2
BAA	565	503	-7	Gen. Accident	778	469	+11	Northern Foods	392	340	+5	Southern Water	48	246	
BAT Inds	559	579	+3	General Elect.	2,800	169		Northumbrian Water	20	275	-1	Standard Chartd.	177	247	-7
BET	2,000	170	+2	Glaxo	1,400	825	-14	Norweb	2,500	149	-1	Storehouse	1,300	110	-3
BICC	327	330	+4	Glynwed Int.	299	208	-6	Pearson	249	650		Sun Alliance	1,000	330	+4
BOC	511	480		Granada	894	170	-8	P & O	813	523	-8	Sun Life	37	1050	-7
BPB Inds.	1,000	176		Grand Met.	2,700	667	+1	Pilkington	1,600	174	-2	T&N	38	154	+1
BTR	1,700	318	-2	GUS A	38	1060	+5	Prudential	4,600	189	-8	TI Group	427	399	-4
Bank of Scotland	387	118	+1	GRE	2,400	187	+8	RHM	674	296		TSB	1,400	131	-1
Barclays	1,100	350	-2	GKN	857	324	-3	RMC	525	623	-20	Tarmac	1,400	235	-8
Bass	1,100	1034	-10	Guinness	811	748	-3	RTZ	2,800	430	-18	Tate & Lyle	1,000	265	-7
Beazer	1,600	100	+1	Hammerson 'A'	41	633	+10	Racal	1,900	170		Taylor Woodrow	725	208	-7
Berisford Int.	3,500	22	+2	Hanson	2,900	182	-1½	Racal Telecom	630	252	-3	Tesco	747	227	+2
Blue Circle	764	216	-1	Hanson Warrants	288	32½		Rank Org.	725	608	-11	Thames Water	606	270	-1
Boots	2,500	312	+4	Harrisons Crosfield	1,000	734	-2	Reckitt & Colman	92	1290		Thorn EMI	252	672	+2
Brit. Aerospace	893	526	+2	Hawker Sidd	160	438	+4	Redland	677	566	-10	Trafalgar House	1,200	195	-4
British Airways	2,900	140		Hillsdown	664	241	-2	Reed Intl.	894	375	+1	Trusthouse Forte	2,300	245	-1
British Gas	3,200	225	-1½	IMI	490	200	-2	Reg. Elect. Pkg Uts	14	£1463	-5	Ultramar	1,500	327	-2
British Land	580	258	-4	ICI	1,100	854	-4	Reuters	357	894		Unigate	513	267	-1
BP	6,500	328	-7	Inchcape	49	531		Rolls Royce	1,900	157	-1	Unilever	885	878	-5
British Steel	3,300	116½		Kingfisher	2,700	367	+1	Rothmans	293	737	-10	United Biscuits	571	319	+1
British Telecom	3,600	281½	+1½	Ladbroke	881	245	-2	Ryl Bk Scotland	736	158	+1	Utd. Newspapers	365	297	-10
Bunzl	2,300	67		Land Securities	322	522	-1	Royal Insurance	221	384	+4	Water Package Uts.	7	£2603	-2
Burmah Castrol	253	507	-2	Laporte	69	474	+1	STC	8	324		Wellcome	591	434	-5
Burton	1,300	73	-1	Legal & General	1,300	357	-3	Saatchi	288	35	+1	Welsh Water	423	273	+1
Cable & Wire	1,000	449	+3	Lloyds Abbey	486	325	-1	Sainsbury	1,100	308	+1	Wessex Water	59	260	
Cadburys	433	317	-2	Lloyds Bank	804	295	+5	Scottish & New	368	357	+1	Whitbread 'A'	187	429	-7
Calor Group	210	241	-1	LASMO	2,800	371	-9	Sears	2,100	85	+1	Wiggins Teape	701	179	+1
Carlton Commc.	1,300	393	-6	London Elect.	4,400	137	-2	Sedgwick	215	228	-2	Williams Hldgs.	859	230	
Coats Viyella	545	103	-1	Lonrho	1,500	212	-4	Seeboard	1,200	142	-2	Willis Corroon	3,100	270	-2
Comm Union	647	455	+7	Lucas	1,600	138	-5	Severn Trent Water	2,100	242	+1	Wimpey	103	202	-2
Cookson	1,900	103	-2	MB Caradon	604	154	-4	Shell Transport	6,100	453	-8	Yorkshire Elect.	2,900	158½	-1½
Courtaulds	450	319	-4	MEPC	439	492	+1	Siebe	1,500	324	-6	Yorkshire Water	647	265	
Dalgety	408	344	-7	Manpower	160	54	-1	Slough Ests	269	237					

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (15).
BRITISH FUNDS (1) BREWERS (1) STORES (1) ELECTRICALS (1) FOODS (1) LEISURE (1) TRUSTS (9).
NEW LOWS (121).
AMERICANS (2) CANADIANS (2) BANKS (4) BREWERS (1) BUILDINGS (8) STORES (3) ELECTRICALS (9) ENGINEERING (4) FOODS (1) HOTELS (2) INDUSTRIALS (16) B. H. Prop., Daimler Benz, Dyson (J. & J.), Eleco, Excalibur, Forwell, Hanson Warrants, Hawthorn Leslie, Johnston Group, Kelsey Inds., Marling Inds., Powell Duffryn, RPS, Shanks & McEwan, Stag Furniture, Stonehill, Whitecroft, INSURANCE (2) LEISURE (4) MOTORS (1) NEWSPAPERS (2) PAPERS (3) PROPERTY (2) TEXTILES (1) TRANSPORT (2) TRUSTS (37) OILS (8) OVERSEAS TRADERS (1) MINES (2).

APPOINTMENTS

Directors of Dobson Park

■ Mr Brian Kennedy and Dr H. Drummond Murdoch have been appointed directors of DOBSON PARK INDUSTRIES. Mr Kennedy is executive chairman of the mining division, and Dr Murdoch is executive chairman of the industrial electronics division. Mr P. Britton, formerly executive chairman of the mining equipment division, has resigned to pursue private business interests.

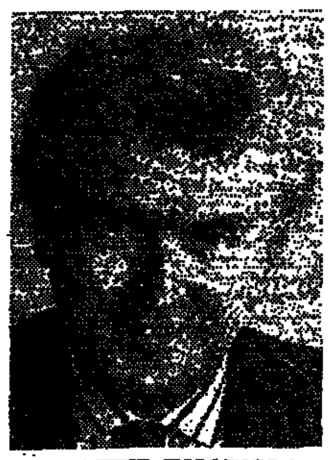
Secretary of Pearson

■ Mr Gerald A.S. Collett has been appointed company secretary of PEARSON, parent company of Financial Times. He succeeds Mr E.P. Emmerson, who has retired.

■ Mr C.C. Procter, chief representative in Europe of the RESERVE BANK OF AUSTRALIA, is returning to Australia and will be succeeded by Dr J.F. Laker, formerly chief manager of the bank's international department.

■ Mr Alan Cole, who was appointed managing director of TRANSPORT DEVELOPMENT on June 1, 1990, has additionally been appointed chief executive. Sir James Duncan continues as chairman. Mr John Kinley has been appointed secretary of the company, succeeding Mr R.D. Garwood who is retiring.

■ Mr Tim Ware has been appointed secretary of COOKSON GROUP following the retirement of Mr Tom Waller who will still be available for the completion of certain special projects.



A.J. ARCHER HOLDINGS has promoted Mr Richard Maylam *(pictured)* from joint deputy chairman to chairman following the retirement of Mr Jimmy Archer.

■ Mr Steve Rowland has been appointed group finance director of LILLESHALL, Newbury. He has been group financial controller since 1988. Mr Ian Fenwick has been appointed managing director of Ideal Willaims, a window fabricating subsidiary. He was deputy managing director, and succeeds Mr Robin Hitchcock who becomes chairman. Mr Hitchcock will also be appointed chairman of the other subsidiaries in the engineering and building products division, of which he is managing director.

The UK division of IRISH LIFE ASSURANCE has appointed Mr Dave Fagan to the new board post of assistant general manager, marketing. He was marketing manager.

■ SPIRAX-SARCO ENGINEERING has appointed Mr Bob Dodsworth as a non-executive director. He is group chief executive of Ransomes.

■ Mr Claude Welsch of Groupe Segin has been appointed a non-executive director of MMT COMPUTING. Groupe Segin holds a 20% interest.

■ Mr Richard Whitman Duggan has been appointed chief executive of TRADE INDEMNITY GROUP, and chairman of Trade Indemnity. He succeeds Mr John Edward Phillips who has retired, and becomes non-executive deputy chairman of Trade Indemnity Group.

■ SHEAFBANK PROPERTY TRUST has appointed Mr John Simon Gradel as a director.

Senior changes at St Paul (UK)

■ St PAUL (UK) has appointed Mr David Larwood *(pictured)* as executive director and general manager, accounting and secretarial. The following have also been appointed general managers: Mr Bruce Gordon, at subsidiary St Katherine Insurance Company; and Mr Michael Wacek, responsible for the actuarial function. The following have been appointed deputy general managers: Mr Dave Geary, information technology; Mr Roger Charter, personal and commercial lines claims; and Ms Jane Mann, personnel.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]		11.78	-
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	5.84	11.94
[illegible]	[illegible]	Treas 3pc 1991	[illegible]	[illegible]	3.09	10.89
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.10	12.09
[illegible]	[illegible]	Exch 11pc 1991	[illegible]	[illegible]	11.08	11.87
[illegible]	[illegible]	Treas 8pc 1991	[illegible]	[illegible]	8.26	11.58
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.62	11.73
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.19	11.75
[illegible]	[illegible]	Treas 3pc 1992 ‡‡	[illegible]	[illegible]	[illegible]	11.48
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.64	11.52
[illegible]	[illegible]	Treas 3pc 1992	[illegible]		3.27	9.36
[illegible]	[illegible]	Exch 12¼pc 92	[illegible]	[illegible]	12.14	11.56
104	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.10	11.40
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.73	11.19
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.24	11.15
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	12.15	11.17
[illegible]	82	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.69	10.50
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.95	11.16
94	[illegible]	Treas 8½pc 1994	[illegible]	[illegible]	9.12	11.13
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	13.26	10.92
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.68	11.06
[illegible]	[illegible]	Treas 10pc Ln 1994‡‡	[illegible]	[illegible]	10.29	10.96
[illegible]	[illegible]	Exch 12½pc 1994	[illegible]	[illegible]	12.02	11.05
[illegible]	85	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.56	10.96
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.62	10.94
87	73	Exch 3pc Gas 90-95	[illegible]		3.60	7.56
[illegible]	[illegible]	Exch 10¼pc 1995	[illegible]	[illegible]	10.52	10.95

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index—Linked

1990/91 High	1990/91 Low	Stock	(b)	Price £	+ or -	(1)	(2)
[illegible]	[illegible]	Tr 2pc '92‡‡	(97.8)	[illegible]	[illegible]	2.30	4.45
[illegible]	[illegible]	Do 2pc '94	(102.9)	[illegible]	[illegible]	3.22	4.00
[illegible]	[illegible]	Do 2pc '96	(67.9)	[illegible]	[illegible]	3.35	3.82
[illegible]	[illegible]	Do 2½pc '01	(78.3)	[illegible]	[illegible]	3.90	4.18
[illegible]	[illegible]	Do 2½pc '03	(78.8)	[illegible]	[illegible]	3.97	4.22
[illegible]	122	Do 2pc '06	(69.5)	[illegible]	[illegible]	4.03	4.23
[illegible]	[illegible]	Do 2½pc '09	(78.8)	[illegible]	[illegible]	4.04	4.22
[illegible]	[illegible]	Do 2½pc '11	(74.6)	[illegible]	[illegible]	4.03	4.20
[illegible]	[illegible]	Do 2½pc '13	(89.2)	[illegible]	[illegible]	4.01	4.16
[illegible]	[illegible]	Do 2½pc '16	(81.6)	[illegible]	[illegible]	3.98	4.13
[illegible]	[illegible]	Do 2½pc '20	(83.0)	[illegible]	[illegible]	3.95	4.08
[illegible]	[illegible]	Do 2½pc '24‡‡	(97.7)	[illegible]	[illegible]	3.89	4.02

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945 RPI for April 1990: 125.1 and for November 1990: 130.0

INT. BANK AND O'SEAS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	84	African Dv Bk 11¼pc Ln 2010	[illegible]	[illegible]	11.39	11.42
[illegible]	80	Asian Dev Bk 10¼pc Ln 2009	[illegible]	[illegible]	10.95	11.06
[illegible]	80	Int-Am Dev Bk 12½pc 2003	[illegible]	[illegible]	11.61	11.31
[illegible]	76	Do 9¼pc Ln 2015	[illegible]	[illegible]	11.00	11.10
110	55	Utd Mexican States 16½pc 2008	[illegible]		15.14	14.90

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	524p	Chem. Banking Corpn.	579p	-22	$1.00	-	8.7
[illegible]	[illegible]	Chrysler $6¼	[illegible]	[illegible]	$1.20	-	9.2
[illegible]	[illegible]	Citicorp $1	[illegible]		$1.00	-	7.8
[illegible]	[illegible]	Colgate-Palmolive $1	[illegible]	[illegible]	$1.80	-	2.5
[illegible]	386p	Cont'l Bank Corp $4	463p	+1	$1.00	-	10.9
268p	51p	Corporate Data Scnce.	51p				
[illegible]	[illegible]	Dana Corp $1	[illegible]	[illegible]	$1.60	-	5.3
768p	178p	Data General	225p	-14			
[illegible]	[illegible]	Dun & Bradstreet $1	[illegible]	[illegible]	$2.12	-	4.9
[illegible]	21	Eaton Corpn. 50c	[illegible]	[illegible]	$2.20	-	4.4
[illegible]	[illegible]	Echlin Inc.	[illegible]	[illegible]	70c	-	6.3
[illegible]	[illegible]	FPL Group 1c	[illegible]	[illegible]	$2.36	-	8.0
[illegible]	15	Fluor Corp 62½pc	[illegible]	[illegible]	32c	-	0.9
[illegible]	[illegible]	Ford Motor $1	[illegible]	[illegible]	$3.00	-	11.3
[illegible]	[illegible]	Gen. Elect. 63c	[illegible]	[illegible]	$2.04	-	3.8
[illegible]	205p	General Host Corp $1	270p	[illegible]	32c	-	6.0
[illegible]	[illegible]	Gillette $1	[illegible]	[illegible]	$1.08	-	1.8
315p	22p	Gt American Bank Bk $1	22p	-1			
[illegible]	[illegible]	Greyhound Dial $1½	[illegible]	[illegible]	$1.32	-	5.5
[illegible]	583p	Hasbro Inc 50c	797p	-10	20c	-	1.3
[illegible]	[illegible]	Honeywell $1½	[illegible]	[illegible]	$1.50	-	3.4
[illegible]	16	Houston Inds ‖	[illegible]	[illegible]	$2.96	-	7.9
74	49	IBM Corpn $1¼	[illegible]	[illegible]	$4.84	-	4.2
[illegible]	[illegible]	Ingersoll-Rand $2	[illegible]	[illegible]	$1.32	-	3.5
[illegible]	[illegible]	Lockheed Crpn. $1	[illegible]	[illegible]	$1.80	-	5.4
[illegible]	[illegible]	Lone Star Inds $1	[illegible]		$1.90	-	12.9
[illegible]	[illegible]	Louisiana Land 15c	[illegible]	[illegible]	$1.00	-	2.3
29	939p	Lowe's 50c	1250p	-20	52c	-	2.1
[illegible]	[illegible]	Manuf. Hanover $1	[illegible]	[illegible]	$3.28	-	15.3
[illegible]	[illegible]	Merrill Lynch $1	[illegible]	[illegible]	$1.00	-	4.9
[illegible]	[illegible]	Molex Inc	[illegible]	[illegible]	4c	-	0.2
[illegible]	[illegible]	Morgan (JP) $2½	[illegible]	[illegible]	$1.98	-	4.5
[illegible]	[illegible]	Morris (Philip)	[illegible]	[illegible]	$1.72	-	2.7
[illegible]	[illegible]	NYNEX $1	[illegible]	[illegible]	$4.56	-	6.4
[illegible]	919p	PHH Corp. ‖	[illegible]	[illegible]	$1.20	-	4.7
195p	53p	Pacific Agr. ‖	60p				
[illegible]	[illegible]	Pall Corp. 25c	[illegible]	[illegible]	56c	-	1.6
[illegible]	[illegible]	Pennzoil $3 1/3c	[illegible]	[illegible]	$3.00	-	4.5
[illegible]	[illegible]	Quaker Oats $5	[illegible]	[illegible]	$1.56	-	2.7
[illegible]	[illegible]	Rep NY Corpn $5	[illegible]	[illegible]	$1.32	-	2.6
[illegible]	[illegible]	Rockwell Intl. $1	[illegible]	[illegible]	86c	-	3.3
[illegible]	[illegible]	Sears, Roebuck 75c	[illegible]	[illegible]	$2.00	-	7.6
[illegible]	[illegible]	Southwestern Bell $1	[illegible]	[illegible]	$2.76	-	4.9

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro F15	£9½	......	Q28%	2.1	8.7	5.4
303	128	ANZ SA1	128	–3	Q38c	♦	11.5	♦
234	172	Abbey National 10p	227	–2	5.7	4.3	3.3	9.2
°274	128	Allied Irish Ord	134	–6	†Q40%	3.3	6.7	6.1
85	47	Anglo Irish	57	......	Q18.6%	2.3	7.3	7.5
93	60	Ansbacher (H.) 1p	60	......	2.5	1.3	5.6	17.3
£71⅛	£32⅞	Bancaire Cie Fr100	£45	+1¼	Q12¼%	–	2.9	–
£22⅛	£12⅞	Banco Bilbao Viz.	£12⅞	–⅛	Q49.1%	2.7	6.2	8.8
£58⅞	£23¼	Banco de Santander	£23¼	–⅛	Q24.7%	2.5	4.2	9.5
286	130	Bank Ireland Ir£1	144	–8	Q14.7%	2.9	9.1	5.1
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
351	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
129½	100	Bank Scotland	118	+1	†4.55	3.4	5.1	7.5
101¼	83¼	Do. 9¼pc Irrd Pf.	97¼	+1½	9¼%	–	12.6	–
54	39	Bank of Wales	42	......	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	350	–2	†h19.57	3.5	7.5	4.9
22	10	Benchmark 20p	10	–2	0.75	–	10.0	–
335	205	Brown Shipley £1	205	......	‡12.0	2.2	‡	6.6
°435	285	Cater Allen £1	389	......	F24.5	–	8.4	–
179	29	Chancery	44	......	†9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£15½	–⅛	Q18%	–	4.0	–
£13⅛	620	Dai Ichi KBk Y50	750	......	Q17%	6.2	0.5	35.4
£313⅞	£189¼	Deutsche Bk DM50	£206½	......	Q28%	–	2.3	–
£20⅞	£14⅝	Espirito Santo	£16¼	......	Q75c	5.1	2.3	8.4
253	166	First Nat. Fin. 10p	181	+1	13.0	♦	10.0	♦
121	82	FNFC 6.3pc Cv Pf.	86	–2	6.3%	–	9.8	–
£13¼	633	Fuji Bank Y50	940	+1	†Q17%	6.9	0.4	40.0
325	262	Gerrard & National	315	–1	19.0	–	8.0	–
154	73	Guinness Mahon 10p	74	–2	1.45	♦	2.6	♦
328	194	Hambros 20p	233	–1	†11.5	–	6.6	–
128	88	Do. 7.5pc Cv Pf.	99	......	7½%	–	10.1	–
53½	29	HK & Shang. HK$2.50	38½	......	†hQ38c	–	8.4	–
478	373	Joseph (Leo) £1	378	......	15.85	–	5.6	–
150	105	King & Shaxson 20p	125	......	10.25	–	10.9	–
422	262	Kleinwort Benson Grp.	269	–5	16.0	2.5	7.9	6.4
642	316	Kyowa Bank Y50	388	......	Q14%	♦	0.8	♦
316	220	Lloyds £1	295	+5	†13.3	2.6	6.0	6.9
56	44	Lon. Scot. Bank 10p	50	–1	†2.4	1.9	6.4	9.9
404	176	Midland £1	180	–1	†18.0	2.6	13.3	3.7
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	......	†Q17%	♦	0.3	♦
£12¾	£4⅝	Mitsubishi Tst & Bk Y50	£6¼	......	Q17%	12.4	0.6	13.0
£10⅝	£4⅞	Mitsui Taiyo Kobe Y50	£7¼	......	†Q16%	6.0	0.4	39.5
904	410	Mitsui Tst & Bk Y50	547	......	Q17%	♦	0.6	♦
326	203	Nat. Aust. Bk. A$1	208	–5	Q55c	♦	10.2	♦
368	227	NatWest £1	266	+1	†16.7	3.3	8.4	4.8
£210	£110	Ottoman Bank	£115	......	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	......	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	158	+1	8.4	q2.5	7.1	7.5
795	338	Saitama Bank Y50	379	......	♦Q14%	♦	0.7	♦
£12¼	567	Sanwa Bank Y50	731	......	Q17%	6.7	0.5	32.0
902½	613	Schroders £1	703	......	h12.5	5.9	2.4	9.5
712½	413	Do. £1 N/V	443	......	b12.5	5.9	3.8	6.0
£25¼	£9¼	Sec. Pacific $10	£10½	–⅝	Q52.52	–	12.3	–
616	235	Standard Chartd. £1	247	–7	35.0	1.4	18.9	(4.6)
£16¼	£5⅞	Sumitomo Bank Y50	£7⅞	......	†hQ16%	7.5	0.4	31.4
£11	£4⅞	Sumitomo Tst & Bk Y50	£5⅞	......	Q17%	6.9	0.6	25.2
147	114	TSB	131	–1	†5.8	2.5	5.6	8.5
175	114	TSB Bank Chnel Is'l	123	......	Q8.0	♦	6.5	♦
£463	£4⅛	Tokai Bank Y50	£5⅞	......	Q16%	4.1	0.8	38.9
920	484	Toyo Tst & Bk Y50	658	......	bQ15.2%	6.9	0.5	29.4
611	499	Union Discount £1	574	......	33.0	–	7.7	–
525	284	Warburg (S.G.)	334	+2	15.0	3.0	6.0	7.5
180	98	Do 6pc Cnv Prf	115	+1	6%	–	7.0	–
279	131	Westpac $A1	131	–4	Q52.5c	♦	15.5	♦
420	293	Wintrust 20p	295	+2	8.7	4.2	3.9	8.2
969	509	Yasuda Tst & Bk. Y50	603	......	Q17%	5.9	0.6	30.2

Hire Purchase, Leasing, etc.

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	50	......	†Q18.5%	3.2	♦	2.4
71	44½	Cambridge Grp Ir5p	46½	......	†Q7½%	15.6	0.7	11.3
55	11	Capital Leasing Ir10p	37½	–½	†Q8.7%	3.5	2.8	9.3
°64	46	Cattle's (Hldgs) 10p	52	–2	K3.8	1.9	9.7	7.9
426	362	Prov. Financial	404	......	†20.5	2.1	6.8	9.3
°232	130	Reflex Invs Ir5p	137½	–½	†Q51%	7.9	1.7	10.1
225	192	Secure Trust Grp. 1p	197	......	†8.5	2.8	5.8	8.3
210	135	Woodchester IR20p	160	–2	†Q16.7%	5.9	1.9	11.9

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ⁑ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 γ	708	
Finlay Pkg. 5p γ	38	+2
Holt (Jos) 25p γ	1305	

IRISH

Cap. 8½% Ln. 1991	£98¾	
9pc Cap Ln. 1996	£93	
Fin. 13% 97/02	£109¼	–½
Arnotts	155	–5
Carrol (P.J.)	154	
Helton Hldgs. γ	40	
IRG	135	
United Drug	135	–3

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	78
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

December 1990

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Martin Currie Unit Trusts Ltd (0905)H

48 Melville St, Edinburgh EH3 7HF Dlng:031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)(4)	5¼	75.64	75.64	80.29	+0.26	0.53
Income & Growth	5¼	51.52	51.52	54.69	-1.37	5.87
European (4)	5¼	48.49	48.49	51.47	-0.88	1.14
Nth American (4)	5¼	29.86	29.86	31.69	-0.35	1.65
Intl Growth(4-1)	5¼	49.63	50.69	53.81	-0.2	0.94
UK Growth	5¼	46.00	46.00	48.83	+0.35	3.54
Int'l Income	5¼	40.71	41.29xd	43.78	-0.47	7.42
High Yield	5¼	39.51	40.11xd	42.57	-0.25	8.64
Charities	5¼	79.16	80.37	85.31	-0.38	7.17
Japan	5¼	32.74	32.74	34.75	+0.36	–

Matheson Unit Trust Managers Ltd (1200)H

Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth (4-1)	6	57.32	58.14	62.18	-1.18	3.97
UK High Income	6	30.06	30.26	32.36	-0.54	6.24

NM Unit Trust Mngrs (1200)H

The Bitton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	25.00	25.09xd	26.76	-0.22	1.91
(Accum Units) ♥	5¼	26.76	26.85	28.64	-0.23	1.91
Australian ♥	5¼	133.90	134.60	144.40	-1.20	2.48
(Accum Units) ♥	5¼	192.40	153.30	164.40	-1.30	2.48
Conscience	5¼	41.89	42.79xd	45.66	-0.32	1.71
(Accum Units)	5¼	–	44.80	47.89	-0.34	1.70
European	5¼	126.00	127.50	135.90	-0.80	1.15
(Accum Units)	5¼	133.00	134.50	143.40	-0.90	1.15
Extra Income	5¼	56.21	57.18	61.02	-0.32	10.01
(Accum Units)	5¼	75.36	76.66	81.81	-0.42	10.01
Far East Gth Acc ♥	5¼	90.72	92.01	98.35	-0.09	2.32
Gilt & F.I	5¼	50.98	50.98	53.95	+0.03	9.29
(Accum Units)	5¼	103.70	103.70	109.70	+0.10	9.29

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants, SP10 1RE 0264 346794

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	6	104 97	105.68	112.42	-1.99	0 78
Do Accum	6	114 74	115 32	122.89	-2.17	0.78
TSB Brit Growth	6	62 64	63 64	67.7	-0.7	4 0
Do Accum	6	69.26	70.36	74 85	-0 78	4 0
TSB European	6	63.34	63 34	67.38	-1.07	1.33
Do Accum	6	65.64	65 64	69 82	-1.12	1 33
TSB Extra Income	6	137.35	140.68	149 65	-1.28	6 16
Do Accum	6	194 23	198.97	211 66	-1.82	6.16
TSB Smaller Cos	6	37 63	39.42	41.93	-0.08	3.32
Do Accum	6	39 46	41.34	43.97	-0.08	3.32
TSB General	6	192.2	193.93	206.3	-4 04	4 33
Do Accum	6	352.35	355 52	378.21	-7.4	4 33
TSB Premier Income	5	41.31	41.93	43 67	-0.05	9 72
Do Accum	5	72.64	73 72	76.79	-0.09	9.72
TSB Income	6	252.69	258.14xd	274 61	-3.33	6.08
Do Accum	6	469.74	479 88xd	510.5	-6.2	6.08
TSB Pacific	6	185.04	188 48	200.51	-1 3	0 55
Do Accum	6	192.53	196 12	208 63	-1.36	0.55
TSB International	6	319 19	322 08	342 63	-2.98	1.69
Do Accum	6	409 42	413 13	439 49	-3.82	1.69
TSB Nat Resources	6	54 15	55 37	58 9	-0 6	1.48
Do Accum	6	58.75	60.06	63.89	-0.7	1.48
TSB Sicld Opps	6	67 25	68.97	73.37	-0.77	3 97
Do Accum	6	80.26	82.32	87.57	-0.92	3.97
Environmental Inv	6	39 36	40 1	42.65	-0.36	2.65
Do Accum	6	40.26	41.02	43 63	-0.36	2 65
TSB Selector	6	40.93	41.75	44 41	-0.48	4 77
Do Accum	6	42.18	43.02	45.76	-0.49	4 77
TSB High Income	6	43.51	44 11	46 92	-0.17	6.71
Do Accum	6	44.8	45 42	48.31	-0.17	6.71
TSB Intl Income	6	47.01	47.17	50.18	-0.14	7 07
Do Accum	6	47.01	47.17	50.18	-0.14	7.07
TSB Selector Income	6	44.24	44.79	47 64	-0.29	6 93
Do Accum	6	44 24	44.79	47.64	-0.29	6 93

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312144

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American Eagle	5	59.92	59 92xd	63 95	-0 78	1 20
Australia	5	5 124	5 124	5 484	-0.06	4.86
Equity	5	138.3	138 3	148.7	-0.7	5.17
Euro Spec Sits	5	92 68	92.68	99 74	-0.36	0 69
Financial	5	24.63	24.72	26.66	-0.18	5 60
Global Opps Inc	5	55.14	55.14xd	59 35	-0.23	1.80
Global Opps Acc	5	56 34	56.34	60 64	-0.23	1 80
Gold & Gen Inc	5	34.89	34 89	37 53	-0.47	1 47
Gold & Gen Acc	5	65.23	65 23	70 17	-0.88	1.47

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Securities Ltd				
Charibond	98 1	98 1	+0 2	11 01
(Accum Units)	520 3	520 3	+1.3	11.01
NAAGIF Dec 31	–	39 8	..	10 24
MIM Ltd				
Exempt Funds				
Intl Mngd P'Folio	962 0	1039 0	....	–
Mngd Pens (Acc)	57 6	61 4	......	–
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Dec 31	111 1	119 2	...	3 22
UK Small Co † Dec 31	423 2	464.8	...	2.29
Fixed Interest † Dec 31	100 7	105 9	...	8.35
US Small Co Dec 31	105.7	113 1	..	0.00
Managed Dec 31	95.36	101 4	...	2.59
Intl Bond Dec 31	106 9	112.7	-	8 08
Japan Dec 31	60 68	64 85	-	1 05
European Dec 31	76.74	82 15	..	1 78
Nth American Dec 31	80.55	86 44	.	1 60
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Jan 3	40.1	41.7	-1.10	2.42
Euro Expt Jan 3	45.5	47.7	-0 70	2 69
Fixed Int Ex Jan 3	43.7	44 8xd	.	11.45
Japan Expt Jan 3	37 8	39 4xd	-0 80	0 72
Managed Ex Jan 3	38.4	39.9	-0.30	5 07
SE Asia Expt Jan 3	54 8	57.5	-1 90	7.04
Sm Cos Expt Jan 3	27.5	28 8	-1.00	5 90
UK Eqty Ex Jan 3	35 9	37.6	-0 70	4 64
Phillips & Drew Fund Management Ltd				
Small Co's Jan 1	589 63	631.9	-2.7	5.97
Do Accum	662 4	709 8	+4 0	5 97
Int Expt Jan 2	144 60	146.20	-2.79	3.0
UK Index Jan 2	990 8	1012xd	-7	5 76
Do Accum	1059	1080	+4	5.76
Convertible Dec 28	80 58	83.26	-	9.2
World ex UK Index Jan 2	647 10	655 7	......	2.97
Do Accum	653 46	662.15	.	2.97
Japan Index Jan 2	509.8	517.30	--	0.57
Do Accum	510 8	518.2	...	0.57
USA Index Jan 2	775.3	780.5	......	3.43
Do Accum	786.2	791.4	.	3.43
Europe ex UK Index Jan 2	767.5	786 6	. -	3.06
Do Accum	779.4	798.7	.	3 06

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finexco International Ltd

Hansard International Ltd.

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Bryan Wells & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Drummond Moore Plc

ECU Future Plc

Edinburgh Money Management Ltd

Fairmount Glen Reid Ltd

Gartmore Fund Managers Ltd

Hambro Financial Services

I.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Dowie F.S. Ltd

Northern Rings & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxburgh Financial Management Ltd

Rutland Inv Mgt & Inv Grp ("RIBIG")

Sharp (Albert E) & Co.

Sitala Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fund Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Mngmt Services (Guernsey) Ltd

GUERNSEY (REGULATED)

Arab Bank Fund Managers (Guernsey) Ltd

Dartmouth Management (Guernsey) Ltd

Fleet-Carroll Fund Mngrs (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mgrs. (Guernsey) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Kleinwort Benson Islamic Fd Mngt Ltd

Lazard Fund Managers (CI) Ltd

M & G (Guernsey) Ltd

Merrill Lynch Guernsey

NM Financial Mngmt Intl Ltd

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

December 1990

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and yen improve

STERLING and the Japanese yen improved yesterday at the expense of the D-Mark and the dollar. The D-Mark was generally weak, suffering from concern about the possible impact on the German economy from any political instability in the Soviet Union. Interest rate factors helped support the pound against the D-Mark, while the dollar had a mixed day.

The dollar weakened on a French press report that Iraq had agreed in principle to pull out of Kuwait, but then rallied when the report was denied by Iraq's ambassador in Paris. The threat of war in the Gulf continued to underpin the US currency, as President George Bush said Iraq must attend talks within a week, or face war.

A meeting between Mr John Major, the UK prime minister, and King Hussein of Jordan, was followed by comments from British officials expressing hopes that talks between the US and Iraq will take place in Switzerland next week.

Economic factors are tending to weigh on the dollar, but dealers noted that the currency showed no marked reaction to Wednesday's cut in US bank prime lending rates. Today's figures on US employment trends are expected to provide further evidence of a weak economy, with the unemployment rate rising to 6.0 or 6.1 per cent from 5.9, but December's rise in non-farm payrolls should be lower than the November figure of 267,000, according to economists.

At the London close the dollar had fallen to Y133.00 from Y134.50 and to FFr5.0700 from FFr5.0725, but had advanced to DM1.4925 from DM1.4900 and to SFr1.2665 from SFr1.2620. On Bank of England figures the dollar's index declined to 60.9 from 61.1.

Sterling continued to be supported by comments about fighting inflation and defending the pound by Mr Norman Lamont, UK chancellor of the exchequer. Dealers noted fading speculation about an early cut in UK bank base rates and the large differential between rates in London and Frankfurt.

News that the German Bundesbank had not tightened its credit policy at yesterday's council meeting boosted the pound against the D-Mark.

Sterling rose 1 pfennig to DM2.9050. It also advanced to FFr9.8675 from FFr9.8525 and to SFr2.4650 from SFr2.4525, while gaining 40 points against the dollar to $1.9465. On the other hand the pound fell to Y259.00 from Y261.25 against a strong yen. Sterling's index climbed 0.3 to 94.1.

There were no new factors to influence the yen, with Tokyo markets still closed for the new year holiday, but the currency was technically strong. The D-Mark fell to Y89.10 from Y90.25.

The German currency weakened within the EMS exchange rate mechanism, helping reduce pressure. Sterling remained the weakest currency in the ERM, but finished only slightly below the French franc.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.082	−2.66	3.8	46
Belgian Franc	42.4032	42.1895	−0.50	1.56	27
D-Mark	2.05586	2.04574	−0.49	1.54	35
Dutch Guilder	2.31643	2.30713	−0.40	1.45	22
Irish Punt	0.767417	0.768082	0.09	0.96	−2
Italian Lira	1538.24	1540.05	0.12	0.92	−3
Danish Krone	7.84195	7.87474	0.42	0.62	−17
French Franc	6.89509	6.95575	0.88	0.16	−46
Sterling	0.696904	0.704177	1.04	0.00	−20

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 3	Latest	Previous Close
£ Spot	1.9460-1.9470	1.9435-1.9445
1 month	1.10-1.08pm	1.10-1.08pm
3 months	3.05-3.02pm	3.04-3.00pm
12 months	9.44-9.34pm	9.45-9.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan 3	Previous
8.30 am	93.8	93.9
9.00 am	93.8	93.9
10.00 am	93.9	93.9
11.00 am	94.0	93.8
Noon	94.1	93.7
1.00 pm	94.1	93.9
2.00 pm	94.0	93.9
3.00 pm	94.1	93.9
4.00 pm	94.1	93.8

CURRENCY MOVEMENTS

Jan 3	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.1	−18.6
U.S Dollar	60.9	−18.0
Canadian Dollar	102.2	+0.2
Austrian Schilling	110.6	+12.5
Belgian Franc	112.4	−1.4
Danish Krone	111.0	+5.4
D-Mark	120.7	+26.6
Swiss Franc	115.5	+24.5
Dutch Guilder	115.8	+17.2
French Franc	105.0	−11.8
Lira	100.1	−19.1
Yen	131.2	+63.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1985=100). **Rates are for Jan 2.

POUND SPOT - FORWARD AGAINST THE POUND

Jan 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9395 - 1.9500	1.9460 - 1.9470	1.10-1.08cpm	6.72	3.07-3.04pm	6.28
Canada	2.2400 - 2.2540	2.2440 - 2.2450	0.58-0.49cpm	2.86	1.55-1.41pm	2.64
Netherlands	3.2645 - 3.2845	3.2700 - 3.2800	1⅛-1¼cpm	4.81	3½-3⅛pm	4.20
Belgium	59.55 - 60.15	59.90 - 60.00	23-18cpm	4.10	60-53pm	3.77
Denmark	11.1335 - 11.2110	11.1875 - 11.1975	3¼-3⅛orepm	3.82	10⅛-9⅛pm	3.48
Ireland	1.0865 - 1.0900	1.0890 - 1.0900	0.33-0.25ppm	3.19	0.74-0.59pm	2.44
Germany	2.8930 - 2.9100	2.9025 - 2.9075	1¼-1⅛pfpm	4.91	3¼-3pm	4.30
Portugal	256.75 - 260.30	259.00 - 260.00	128-36cpm	3.79	110-31pm	1.09
Spain	184.10 - 185.15	184.20 - 184.50	2-10cdis	−0.39	25-37dis	−0.67
Italy	2177.75 - 2195.40	2187.50 - 2188.50	4-3lirepm	1.92	10-8pm	1.65
Norway	11.3410 - 11.4050	11.3825 - 11.3925	2⅞-2½orepm	2.83	6¾-6⅛pm	2.26
France	9.8485 - 9.8920	9.8625 - 9.8725	3½-3¼cpm	4.10	8¾-8⅛pm	3.47
Sweden	10.8595 - 10.9290	10.9000 - 10.9100	¼-⅛oredis	−0.55	¼-¾dis	−0.18
Japan	258.50 - 259.70	258.50 - 259.50	1⅞-1¼ypm	6.08	3¼-3⅝pm	5.69
Austria	20.32 - 20.49	20.41 - 20.44	8⅞-7⅞gropm	4.77	23¼-20pm	4.24
Switzerland	2.4540 - 2.4695	2.4600 - 2.4700	1¼-1cpm	5.48	3⅛-2⅝pm	4.87
Ecu	1.4095 - 1.4160	1.4100 - 1.4110	0.46-0.41cpm	N/A	1.14-1.07pm	N/A

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.51-5.46cpm . 12 Month 9.52-9.42cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9395 - 1.9500	1.9460 - 1.9470	1.10-1.08cpm	6.72	3.07-3.04pm	6.28
Ireland†	1.7815 - 1.7875	1.7865 - 1.7875	0.53-0.48cpm	3.39	1.70-1.60pm	3.69
Canada	1.1520 - 1.1565	1.1525 - 1.1535	0.36-0.39cdis	−3.90	1.04-1.09dis	−3.69
Netherlands	1.6770 - 1.6870	1.6815 - 1.6825	0.27-0.30cdis	−2.03	0.86-0.90dis	−2.09
Belgium	30.70 - 30.85	30.75 - 30.85	6.00-7.50cdis	−2.63	17.00-22.00dis	−2.53
Denmark	5.7290 - 5.7540	5.7475 - 5.7525	1.35-1.55oredis	−3.03	3.95-4.55dis	−2.96
Germany	1.4860 - 1.4955	1.4920 - 1.4930	0.21-0.23pfdis	−1.77	0.74-0.77dis	−2.02

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates ease

THERE WAS a slight easing of interest rates in London yesterday as sterling improved against the D-Mark and other members of the EMS exchange rate mechanism.

Three-month interbank fell to 14-13¾ per cent from 14⅛-14 and 12-month money had a softer tone at 13-12⅞ per cent against 13-12¾.

Short sterling futures were buoyed by the pound's encouraging performance, recovering some of Wednesday's sharp losses. The March contract opened firmer at 87.26 and touched a peak of 87.35, before closing at 87.32 compared with 87.21 previously.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Day-to-day credit was in very short supply on the London money market, but the situation was somewhat confused, with the Bank of England making several changes to the forecast shortage. This was initially set at £1,000m, but was revised up sharp to £1,400m at noon, before being cut to £1,350m in the afternoon. After the final round of daily assistance the shortage was revised down to around £1,050m.

Total assistance of £1,097m was provided. An early round of help was offered and at that time the authorities bought £253m bills outright, by way of £38m bank bills in band 1 at 13⅞ per cent and £215m bank bills in band 2 at 13¾ per cent.

Before lunch another £170m bills were purchased, via £28m bank bills in band 1 at 13⅞ per cent and £142m bank bills in band 2 at 13¾ per cent. In the afternoon £614m bills were bought, through £109m Treasury bills in band 1 at 13⅞ per cent; £171m bank bills in band 1 at 13⅞ per cent; £152m Treasury bills in band 2 at 13¾ per cent; and £182m bank bills in band 2 at 13¾ per cent. Late assistance of around £60m was also provided.

In Frankfurt call money rose slightly to 8.50 from 8.45 per cent but, as expected, the Bundesbank council left credit policies unchanged at yesterday's meeting. The central bank offered liquidity to the money market via a two-tranche tender for 28-day and 61-day funds at variable bid rates.

In Brussels the Belgian National Bank cut the interest rate on three-month Treasury bills - the main instrument of credit policy - to 9.95 from 10.05 per cent. Rates on one and two-month bills were reduced by a similar amount, also to 9.95 per cent and four-month paper, issued by the Securities Regulation Fund, was cut to 10.00 from 10.05 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.3) 3 months US dollars		6 months US Dollars	
bid 7¼	offer 7⅜	bid 7¼	offer 7⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

Prime rate	10
Broker loan rate	9
Fed.funds	7⅝
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	5.78	Three year	7.24
Two month	6.56	Four year	7.46
Three month	6.65	Five year	7.55
Six month	6.71	Seven year	7.84
One year	6.72	10-year	7.93
Two year	7.06	30-year	8.10

Jan.3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.45-8.55	8.85-9.00	9.00-9.15	9.05-9.20	9.20-9.35	8.50
Paris	10-10¼	9⅞-10	-	9⅞-9⅞	-	9.25
Zurich	7¾-8¼	8½-8¾	-	8½-8¾	-	-
Amsterdam	9.31-9.44	9.25-9.40	-	9.28-9.48	-	-
Tokyo	8⅛-8⅜	8⅛-8¼	-	8-8¼	-	-
Milan	12⅝-12⅞	13⅛-13⅞	-	13⅛-13¼	-	-
Brussels	7.95	9⅞-10⅛	-	9⅞-10⅛	-	-
Dublin	9⅝-9¾	11-11⅛	11⅛-11¼	11⅛-11½	11¼-11⅞	-

LONDON MONEY RATES

Jan 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14¼	14¼	14⅛	13⅞	13
Interbank Bid	13	14	14⅛	13¾	13⅝	12¾
Sterling CDs	-	-	14⅛	14	13½	12¾
Local Authority Deps.	14⅛	14⅛	14⅛	14⅛	13⅞	12¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	14	14⅛	13¾	13	-	-
Company Deposits	-	-	14⅛	14⅛	13½	12¾
Finance House Deposits	-	-	14⅛	14	13½	12¾
Treasury Bills (Buy)	-	-	13⅞	13⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	14	13⅞	-
Dollar CDs	-	-	7.32	7.32	7.30	7.33
SDR Linked Dep. Offer	-	-	9¼	9⅛	9	9
SDR Linked Dep. Bid	-	-	9⅛	8⅞	8⅞	8⅞
ECU Linked Dep. Offer	-	-	10⅜	10½	10⅜	10½
ECU Linked Dep. Bid	-	-	10¼	10⅜	10¼	10⅜

Treasury Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; six months 12⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills: Average tender rate of discount 13.0581 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1990. Agreed rates for period Jan 26, 1990 to Feb 25, 1991, Scheme I: 14.54 p.c. Schemes II & III: 15.09 p.c. Reference rate for period Dec 1, 1990 to Dec.31, 1990, Scheme IV&V: 13.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days fixed. Finance Houses Base Rate 14 from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8,1989. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
March	89.79	89.77	-0.02	89.82	89.76	10.22	17,669
June	89.85	89.86	+0.02	89.86	89.82	10.14	4,136
September	89.89	89.89	+0.01	89.89	89.84	10.09	1,643
December	89.88	89.90	-0.02	89.90	89.88	10.08	30

Estimated volume 4,527 Total Open Interest 23,478

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
January	1511.0	1552.0	+32.0	1552.0	1511.0	6,463
February	1528.0	1551.0	+21.0	1551.0	1528.0	156
March	1538.0	1538.0	-2.0	1538.0	1538.0	210
June	-	-	-	-	-	0

Estimated volume 5,867 Total Open Interest 6,829

BASE LENDING RATES

	%		%		%
ABN Bank	14	Co-operative Bank	*14	Nat Bk. of Kuwait	15
Adam & Company	14	Coutts & Co	14	NatWestminster	14
Allied Trust Bank	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
AIB Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
● Henry Ansbacher	14	Duncan Lawrie	14	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
● B & C Merchant Bank	14	Exeter Bank Limited	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Ireland	14	Girobank	14	Unibank plc	14
Bank of India	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of Scotland	14	● Hambros Bank	14	United Mizrahi Bank	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Benchmark Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
● Brown Shipley	14	Hongkong & Shangh	14	Yorkshire Bank	14
Cl. Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		

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MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,433 Set by DANTE

ACROSS

1 Chinese problem turns out to be logical (14)
10 Spritely – that's the Spanish and French conclusion (5)
11 Doesn't like being snapped at? (6-3)
12 Is to change state, but appears indifferent (7)
13 About one thousand different paint drums (7)
14 Brush and clean thoroughly (5)
16 Trying time for a beginner (9)
19 Those on it will need dough (5-4)
20 Equip an improvised theatre (3-2)
22 Slip out of gear (7)
25 Places visited on holidays or between holidays (7)
27 It needs pluck to play it in triangular formation (9)
28 Overweight duck with a gathering of bees (5)
29 Riots on the news could show a state that deserves attention (14)

DOWN

2 Bound to go wrong? (3,6)
3 Be fearfully disorganised (5)
4 A pity clue needs changing for trees (9)
5 Six-footer cartoonist (5)
6 He passes out at the back of the pack (5,4)
7 River city of Arabs (5)
8 Delightful as any isle could be (7)
9 When to tell all? (6)
15 A sleeping partner (9)
17 Do too much at a stretch? (9)
18 Political victims of restrictive practice? (8)
19 A drink and a biscuit (7)
21 Went by like the buck (6)
23 There's a number left out in the pottery (5)
24 A highball for a winter sportsman (5)
26 A dishy running partner (5)

Solution to Puzzle No.7,432

STANDARD CREDIT · RIGHTIST ALISON · CONCOURSE THREE · EDGE PROFILE · TRAFFIC MASS · AFTER SOUNDNESS · GALENA ADVOCATE · THEWED PROSPECT

مكتبة الأسد

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2pm prices January 3

Quotations in cents unless marked $

f–No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Jan. 2	Dec. 31	Dec. 28	Dec. 27	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2610.64	2633.66	2629.21	2625.50	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.63	91.57	91.60	91.54	93.04 (3/1/90)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	909.30	910.23	911.54	913.42	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.50	209.70	210.07	210.45	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2651.73 (2641.09) Low 2600.99 (2611.14)

STANDARD AND POOR'S	Jan. 2	Dec. 31	Dec. 28	Dec. 27	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	326.45	330.22	328.72	328.29	368.95 (16/7/90)	295.46 (11/10/90)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	383.02	387.42	385.26	384.38	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.09	23.43	23.36	23.47	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	178.62	180.49	179.65	179.48	201.13 (16/7/90)	162.20 (11/10/90)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	306.57	308.11	304.65	303.67	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	372.19	373.84	371.20	371.05	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 28	Dec.21	Dec.14	year ago (approx.)
Dow Industrial Div. Yield	3.92	3.92	3.97	3.87

	Dec. 26	Dec.19	Dec.12	year ago (approx.)
S & P Industrial div yield	3.31	3.32	3.31	2.90
S & P Indl P/E ratio	15.92	15.88	15.89	14.51

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Manfc. Hanover	8,163,400	21¼	+ ⅛
Philip Morris	1,814,800	50⅞	- ⅞
Wal-Mart Stores	1,671,300	30	- ¼
Pepsico	1,510,600	25¾	- ¼
Johnson & Jns	1,325,800	70	- 1¼
Student Ln	1,276,200	47¼	+ 1½
Schering Plough	1,271,500	43¼	- 1⅛
Waste Man	1,256,400	35¼	+ ¼
Toys R US	1,185,200	23⅛	+ ⅝
Gen Electric	1,181,400	56½	- ⅞

TRADING ACTIVITY

† Volume (Millions)	Jan. 2	Dec. 31	Dec. 28
New York	126.280	114.130	111.040
Amex	8.384	15.130	12.276
NASDAQ	92.022	128.874	132.328
Issues Traded	2,002	2,032	2,017
Rises	712	1,023	706
Falls	869	571	788
Unchanged	421	438	523
New Highs	31	22	22
New Lows	13	42	52

CANADA

TORONTO	Jan 2	Dec. 31	Dec. 28	Dec. 27	1990-91 HIGH	1990-91 LOW
Metals & Minerals	2742.67	2739.70	2727.00	2742.94	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3239.36	3256.75	3237.46	3233.69	4009.47 (3/1/90)	3009.91(16/10/90)
MONTREAL Portfolio	1718.28	1726.13	1712.79	1713.97	2060.90 (3/1/90)	1607.24(16/10/90)

Base values of all indices are 100 except NYSE All Common–50; Standard and Poor's–10; and Toronto Composite and Metals–1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 3	Jan. 2	Dec. 31	Dec. 28	1990-91 HIGH	1990-91 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1273.0	1285.8	(c)	1279.8	1713.7 (12/1/90)	1270.7 (24/12/90)
All Mining (1/1/80)	584.3	590.4	(c)	584.0	860.8 (5/1/90)	578.5 (19/12/90)
AUSTRIA						
Credit Aktien (30/12/84)	426.40	424.61	(c)	440.06	703.29 (19/3/90)	400.98 (25/9/90)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	4920.48	4913.94	(c)	4963.81	6599.43 (12/1/90)	4913.94 (2/1/91)
DENMARK						
Copenhagen SE (3/1/83)	(u)	305.06	(c)	314.80	388.29 (20/7/90)	305.06 (2/1/91)
FINLAND						
Unitas General (1975)	378.0	387.9	(c)	395.6	677.3 (23/1/90)	378.0 (3/1/91)
FRANCE						
CAC General (31/12/82)	406.84	408.99	(c)	413.04	564.62 (30/5/90)	406.84 (3/1/91)
CAC 40 (31/12/87)	1539.50	1505.10	(c)	1517.93	2129.32 (20/4/90)	1485.39 (25/9/90)
GERMANY						
FAZ Aktien (31/12/58)	594.83	591.18	(c)	603.06	832.32 (19/7/90)	569.69 (28/9/90)
Commerzbank (1/12/53)	1680.0	1668.9	(c)	1701.2	2414.0 (3/4/90)	1628.7 (28/9/90)
DAX (30/12/87)	1366.65	1366.10	(c)	1398.23	1968.55 (30/3/90)	1334.89 (28/9/90)
HONG KONG						
Hang Seng Bank (31/7/64)	3004.88	3031.34	3024.55	3053.73	3559.89 (23/7/90)	2738.24 (1/2/90)
IRELAND						
ISEQ Overall (4/1/88)	1159.97	1181.66	1201.77	1195.47	1893.10 (22/1/90)	1159.97 (3/1/91)
ITALY						
Banca Com. Ital. (1972)	514.09	514.70	516.57	519.42	763.52 (14/6/90)	500.67 (29/11/90)
JAPAN						
Nikkei (16/5/49)	(c)	(c)	(c)	23848.71	38712.88 (4/1/90)	20221.86 (1/10/90)
Tokyo SE (Topix) (4/1/68)	(c)	(c)	(c)	1733.83	2867.70 (4/1/90)	1523.43 (1/10/90)
2nd Section (4/1/68)	(c)	(c)	(c)	2711.15	4477.16 (16/7/90)	2711.15 (28/12/90)
MALAYSIA						
KLSE Composite (4/4/86)	497.99	501.23	505.92	500.88	632.22 (1/8/90)	459.08 (28/9/90)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	229.3	229.3	(c)	229.6	271.9 (20/7/90)	225.6 (8/11/90)
CBS All Shr (End 1983)	168.1	168.1	(c)	168.3	206.3 (3/1/90)	165.6 (8/11/90)
NORWAY						
Oslo SE (Ind) (2/1/83)	652.46	674.25	(c)	677.01	915.13 (2/8/90)	649.23 (21/12/90)
PHILIPPINES						
Manila Comp (2/1/85)	595.47	628.89	(c)	651.78	1160.70 (21/3/90)	514.80 (5/10/90)
SINGAPORE						
SES All-Singapore (2/4/75)	323.02	321.20	(c)	323.28	446.87 (16/7/90)	301.45 (11/10/90)
SOUTH AFRICA						
JSE Gold (28/9/78)	1239.0§	1265.0	(c)	1201.0	2230.0 (16/1/90)	1111.0 (18/12/90)
JSE Industrial (28/9/78)	2986.0§	3007.0	(c)	3018.0	3211.0 (6/2/90)	2640.0 (1/10/90)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	696.11	(c)	(c)	(c)	928.82 (4/1/90)	566.27 (17/9/90)
SPAIN						
Madrid SE (30/12/85)	221.46	220.39	(c)	223.25	309.74 (16/7/90)	209.37 (28/9/90)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	837.30	835.60	(c)	870.00	1329.9 (5/7/90)	815.6 (27/11/90)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	(c)	(c)	628.5	845.5 (13/7/90)	613.4 (28/9/90)
SBC General (1/4/87)	(u)	(c)	(c)	520.1	698.2 (13/7/90)	510.4 (26/11/90)
TAIWAN**						
Weighted Price (30/6/66)	4258.93	(c)	(c)	(c)	12495.34 (10/2/90)	2560.47 (1/10/90)
THAILAND						
Bangkok SET (30/4/75)	586.92	594.95	(c)	612.86	1143.78 (25/7/90)	544.30 (30/11/90)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	461.4°	461.5	461.5	461.8	571.0 (4/1/90)	423.1 (28/9/90)

**Saturday December 29: Taiwan Weighted Price: (c) Korea Comp Ex. (c)
§ Subject to official recalculation. °Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

3pm prices January 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
38⅞	9⅛	AAR	.48	4.3	9	299	11⅛	11	11⅛	+ ⅛
8¾	7¼	ACM n1.03e		12.		238	9	8⅞	8⅞	– ⅛
11⅛	8¾	ACMIn	1.26	12.		938	10⅛	10⅛	10⅛	
9¼	6½	ACM M n1.01		13.		284	7⅞	7¼	7¾	
12⅛	10	ACMMM 1.50		13.		180	12	11⅞	11⅞	
11½	8⅝	ACM Sc1.26		12.		453	10⅛	10	10⅛	+ ⅛
9⅝	7¼	ACMSp 1.01		12.		384	8⅝	8½	8⅝	+ ⅛
25⅛	17	AL Lab	.16	.7	20	246	25⅛	24½	24½	– ⅞
4⅛	1	AM Intl				122	1⅜	1¼	1⅜	
18⅞	4⅝	AM In pf	2	26.		30	7⅞	7⅝	7⅞	+ ¼
70¼	39¾	AMR			14	2816	48⅛	47½	47⅞	+ ⅛
24⅞	22¼	ANR pf 2.12		9.3		1	22¾	22¼	22¾	
72¾	38¼	ASA	3	6.7		494	45¾	44⅝	45	– ½
3½	1⅞	ATTC wi				115	2½	2⅞	2⅞	
46⅞	31¼	AbtLab s .84		2.0	20	7198	43¼	42	42	– 1¼
11⅝	4½	AcmeC	.40	8.0	11	22	5⅛	5	5	+ ⅛
9⅞	5	AcmeE	.32	6.2	9	5	5⅛	5⅛	5⅛	
32¾	18⅞	Acuson s			19	4945	25½	24	24½	– 1¼
16⅞	14⅛	AdaEx 1.72e		12		94	14⅞	14¾	14⅞	
14¾	8⅝	Adobe				70	9	8⅞	9	+ ⅛
11⅜	3⅝	AMD				2878	5¼	5	5⅛	+ ⅛
32⅞	13	AMD pf	3	16.		84	19⅛	19	19	+ ⅛
7⅞	1⅝	Advest	.16	5.8		89	2⅞	2⅞	2⅞	– ⅛
56⅞	39	AetnLf	2.76	7.5	9	1058	37⅝	37	37	– ⅝

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

3pm prices January 3

NASDAQ NATIONAL MARKET

3pm prices January 3

TRANSFORMATION IN EASTERN EUROPE

The FT proposes to publish this survey on **February 4 1991.**

It will be of particular interest to the 54% of the Chief Executives in Europes leading companies who are regular FT readers. If you want to reach this important audience, call Henry Krzymuski on 071 873 3699 or fax 071 873 3079.

FT SURVEYS

December 1990

WORLD STOCK MARKETS

AMERICA

Falling crude oil prices fail again to lift Dow

Wall Street

CONCERN about the economy and fear of war in the Gulf prompted another sell-off yesterday morning, with traders seeing little to cheer about in the new year, *writes Karen Zagor in New York*.

At 1.30pm, the Dow Jones Industrial Average was 19.80 lower at 2,590.84. The fall was broadly based, with declining issues outpacing those advancing by ratio of nine to five. All of the major stock market indices were lower at 1 pm, including the Standard & Poor's 500, off 2.12 at 324.33 and the New York Stock Exchange Composite, off 1.06 at 177.56. On Wednesday, the Dow closed at 2,610.64, down 23.02.

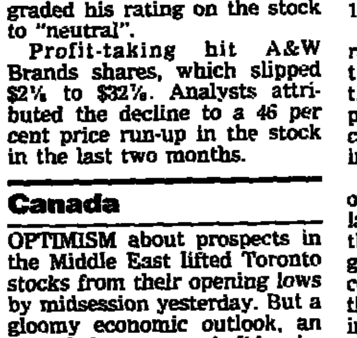
The deterioration in stock prices came in spite of a second day of falling crude oil prices. The stock market has been extremely sensitive to oil price movements since August, when Iraqi troops moved into Kuwait. But yesterday, a \$1.11 decline in February crude oil to \$25.36 a barrel had no impact on US stocks.

News that Christmas had been no worse than expected for retailers prompted trading in a number of retail stocks. The Limited was the most active issue of the morning, adding \$⅝ to \$19 after the company reported a 4 per cent improvement in same store sales for December. The Limited had earlier said that its Christmas sales would be flat.

J.C. Penney slid \$¼ to \$44½ after the company turned in four week same-store sales that were 0.3 per cent lower. May Department Stores lost \$¾ to \$41¼. The group's comparable store sales for the four weeks in December fell 0.7 per cent.

Among blue chip issues, Philip Morris lost \$¾ to \$50, IBM gained \$½ to \$113 and American Telephone & Telegraph rose \$¼ to \$29⅞.

NYSE volume



Secondary issues mirrored listed issues yesterday morning. At midsession, the NASDAQ composite was down 2.78 to 369.41.

Healthdyne plunged \$2⅝ to \$8 after the Food and Drug Administration denied the company's request to market a uterine device to monitor the progress of labour.

Oracle Systems dropped \$⅝ to \$7¼. Late on Wednesday the company reported second quarter net income of 5 cents a share, down from 14 cents a year earlier. The company turned in a loss in the first quarter.

Calgon Carbon fell \$2 to \$39¼ after an analyst at Shearson Lehman Brothers downgraded his rating on the stock to "neutral".

Profit-taking hit A&W Brands shares, which slipped \$2⅛ to \$32⅞. Analysts attributed the decline to a 46 per cent price run-up in the stock in the last two months.

Canada

OPTIMISM about prospects in the Middle East lifted Toronto stocks from their opening lows by midsession yesterday. But a gloomy economic outlook, an extended new year holiday by many brokers and high interest rates kept trading slow.

The composite index lost 4.1 to 3,235.3. Declines and advances were matched at 153 each, on scant volume of 6.5m shares.

Also aiding the recovery was a prime rate cut by the Bank of Montreal to 12.5 per cent from 12.75 per cent.

Many investors, however, were switching from equities to treasury bills and other interest-sensitive vehicles before rates fell further, traders said.

Venezuela eclipses rest of world in 1990

Joe Mann on the reasons behind an astonishing year for the Caracas exchange

THE CARACAS Stock Exchange astonished investors and analysts in 1990 by showing the largest gains, even in dollar terms, of any of the world's markets.

As Venezuela's oil-driven economy began to pull out of a severe recession last year, the index of this small exchange, known as the Bolsa de Valores de Caracas, soared by 551 per cent, climbing from 2,719.77 in early January 1990 to a high of 17,701.80 on December 28.

In dollar terms, the market rose 521 per cent, according to the index from the International Finance Corporation, part of the World Bank, which calculated a 608 per cent gain in its local currency index.

Trading of stocks and bonds on the exchange rose spectacularly in 1990, with turnover for the first 11 months of the year growing by more than 1,700 per cent from the 1989 total, and the number of transactions rising by 223 per cent, according to brokers' estimates.

The exchange also opened up to foreign participants, with Citicorp taking a seat, and activity increased in mutual funds and other recently introduced instruments. Private companies launched a variety of new issues and the government sold large volumes of zero-coupon bonds to manage liquidity and to control the bolivar/dollar relationship.

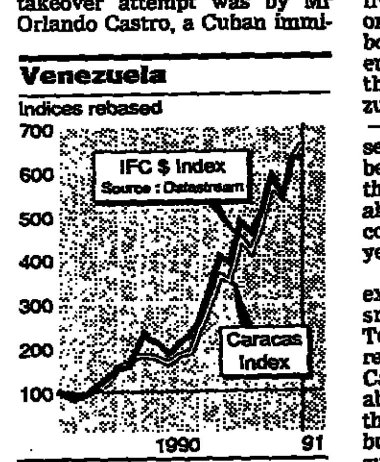
The Venezuelan bolivar, which has suffered several sharp devaluations since 1983, stood at 50.58 bolivars per US dollar at the end of 1990, down 17.7 per cent from a year earlier. Inflation in Venezuela reached more than 32 per cent last year, but support from the central bank limited the bolivar's fall against the dollar.

On the Caracas Stock Exchange, the activity, stirred up by domestic and international interest, hardly slowed down even over Christmas.

There are several reasons for this excitement. At the beginning of last year, the shares of many Venezuelan companies were undervalued, owing to a significant devaluation of the bolivar the year before. But even after price/earnings ratios became less attractive, the bolsa still offered much better yields than other investments, such as real estate, certificates of deposit or dollar speculation.

A significant element in the Caracas run-up has been a number of takeover bids and the speculative waves that these have created. The prime takeover attempt was by Mr Orlando Castro, a Cuban immigrant and the founder and principal shareholder of Venezuela's Latinoamericana financial group. Mr Castro tried to win a seat on the board of Banco de Venezuela, one of the country's largest commercial banks and a symbolic stronghold of Caracas's old money.

Venezuela



In the process of acquiring more than 20 per cent of the bank's shares, Mr Castro helped drive the market price from 172 bolivars (\$4) a share on November 30, 1989, to 1,300 bolivars (\$26) a share at the end of September 1990. Even though the Banco de Venezuela battle is apparently over – Mr Castro did not obtain a seat on the board, but is said to be selling most of his shares in the institution for a profit of about \$60m – the stock has continued to rise, finishing the year at 1,980 bolivars (\$39.60).

Caracas and its sister exchange in Maracaibo remain small by world standards. Total trading in shares is currently just over \$25m a day in Caracas. The exchange lists about 100 issues, of which less than a dozen account for the bulk of activity. Most of Venezuela's private sector is closely held by family groups, and the government's plan to privatise state-held companies and banks has had a very slow start.

Moreover, the surge in share prices does not reflect a robust, inflation-free economy nor a highly profitable and secure private sector. Venezuela's economy grew only slightly last year, after an 8.3 per cent contraction in 1989.

Many private companies in Venezuela are still struggling to adjust to free-market policies implemented in 1989. Their problems include competition from imports and the need to repay foreign debts.

Nevertheless, prospects for Venezuela are good, especially now that the government has restructured its foreign debt and stands to receive additional revenues from oil exports, thanks to the current Middle East crisis. The outlook is for strong economic growth in 1991, although this could perhaps involve another bout of price increases.

It will take time for confidence to recover completely. Venezuelan governments in the past have squandered the petroleum wealth and pushed the economy into crisis. Businessmen today remain unconvinced that the current administration, headed by President Carlos Andres Perez, will maintain its commitment to unpopular free-market reforms.

SOUTH AFRICA

GOLD SHARES fell back after the previous day's gains, as the bullion price retreated. The Johannesburg all-gold index lost 26 to 1,239, after gaining 64 points on Thursday. Industrial stocks continued to weaken.

EUROPE

Gulf reports give bourses a late boost

AN UPWARD blip in the FT-SE Eurotrack 100 index yesterday took it to a mid-afternoon peak of 939.40, up 8.30, before it tailed off to finish 6.37 higher at 937.48. The rise was helped by speculation based on French newspaper reports that Iraq had agreed in principle to pull out of Kuwait, *writes Our Markets Staff*.

PARIS was encouraged by the Gulf speculation, which lifted the CAC 40 index 34.40 or 2.3 per cent to 1,539.50 by the close. The index had slipped to 1,500.54 earlier in the day. Turnover, however, was light.

Among the active stocks, Elf Aquitaine added FFr7 to FFr285.50, and Suez, which is expected to benefit in the long term from the recent reduction in its stake in Société Générale de Belgique, gained FFr5.40 to FFr278.20. Alcatel-Alsthom, formerly known as CGE, rose FFr7 to FFr540; its joint venture, GEC Alsthom, said that it had signed a FFr670m contract to supply equipment to the Caracas underground railway.

Société Central d'Investissement ended FFr105 higher at FFr3,805 with 2,360 shares traded, after falling to FFr3,555 and being temporarily suspended when a large sell order failed to find a buyer. Ferruzzi Finanziaria bought a stake in the holding company on Wednesday, when about 216,000 shares were exchanged.

MILAN recovered from its lows in modest trading as Generali gained ground after its official close. The Comit index eased 0.61 to 514.09.

Generali surged to L29,150 after officially closing at L28,800, up L295. Dealers attributed the rise to the execution of a foreign order in a thin market.

Fiat, which denied a report in an Italian newspaper which said it was considering another stock buy-back plan, fell L65 to L5,250 at the official close, but rebounded to L6,380 later.

FRANKFURT languished in a mood of cautious inactivity, the DAX index ending just 0.55 higher at 1,366.65 after a 3.65 rise to 594.83 in the FAZ at midsession. Volume rose from DM2.2bn to DM2.4bn.

Among the blue chips, banks, motors and chemicals were flat. BASF rose DM1.40 to DM198 but, said Ms Barbara Altmann of B Metzler in Frankfurt, this was after a fall of DM10.40 on Wednesday when certain employee shareholdings could be sold for the first time.

Elsewhere, said Ms Altmann, very small orders were influencing the market; Linotype was one of the few big movers with a DM30 gain to DM577.

AMSTERDAM was boosted by isolated foreign buying of defensive stocks, but volume remained thin. The CBS Tendency index rose 0.7 to 79.5.

Heineken, the brewer, rose Fl 1.60 to Fl 137.30 while Unilever gained 10 cents to Fl 152. Nationale Nederlanden, the insurer, added Fl 1 to Fl 49.30. The prospectus on the merger with NMB Postbank is due in the next couple of weeks.

OSLO dropped 3.8 per cent, the all-share index losing 17.27 to 433.85. The previous day's fall had been restrained, as investors tried to lift the market; they have been allowed to average December 28 and January 2 prices for year-end purposes, said Mr David Longmuir of James Capel.

With the need for window-dressing removed, some big blocks were traded yesterday and prices suffered accordingly. Den Norske Bank fell NKr7 to NKr94 in 93,000 shares, and Bergesen A by NKr9.50 to NKr103 in 55,000.

STOCKHOLM finished mixed in mediocre trading after a shaky start. The Affärsvärlden General index rose 1.7 to 837.3.

ZURICH reflected its depression in a 5.1 fall to 459.0 in the Crédit Suisse index.

ISTANBUL rebounded after the previous day's 4.2 per cent fall. The index gained 115.00 or 3.7 per cent to 3,230.44.

ASIA PACIFIC

Overseas influence prompts further falls

GULF FEARS, Tokyo's closure and the overnight decline on Wall Street prompted further falls in a number of Pacific Rim markets yesterday.

TAIWAN tumbled on its first trading day of 1991. The weighted index ended down 271.23, or 5.9 per cent, at 4,258.93, after recovering a little from an intraday low of 4,244.23. Volume shrank to T\$39.2bn from the T\$50.9bn of December 27. Banks registered the steepest declines, the sector index losing 6.7 per cent.

MANILA sagged for a second successive session as traders sold short on growing fears of an imminent war in the Middle East. The composite index fell 33.42, or 5.3 per cent, to 595.47.

JAKARTA shed 2.2 per cent on the first day of trading this year, the official index closing off 9.25 at 408.53. Turnover slumped to 1.23m shares from the 5.15m of December 28.

AUSTRALIA retreated in the wake of the weaker Wall Street trend overnight, although gold issues held firm. The All Ordinaries index slipped 12.8 to 1,273.0 but the gold marker rose 7.2 to 1,191.5 in spite of easier bullion prices. Turnover picked up to A\$113m (A\$89m).

BHP dropped 14 cents to A\$9.96 and Goodman Fielder Wattie shed 7 cents to A\$1.35. Gold miner Placer Pacific followed Wednesday's 14-cent advance with a 2-cent improvement to A\$3.18; most other gold shares were steady.

NEW ZEALAND started the new year steadily. The Barclays index moved in a tight range before closing 2.80 firmer at 1,205.66. Turnover was quiet at NZ\$6.9m, after the NZ\$10.4m of the last trading session of 1990.

SINGAPORE was broadly higher on selective buying and professional short-covering. The Straits Times Industrial index put on 11.46 to 1,164.94, mainly on double-digit gains by component stocks NatSteel, Metro, SIA and Singapore Press Holdings. Turnover expanded to S\$46m (S\$30m).

NatSteel surged 40 cents to S\$7.80, with 250,000 shares traded, in reaction to its recent hefty fall and on hopes that the company would benefit from Malaysia's lifting of an eight-year ban on steel imports for the next three months.

SEOUL lost ground in a quiet, shortened session as about 70 per cent of companies making up the composite index went ex-dividend. Pessimism about the pace of economic growth in the new year also weighed on prices. The government expects economic growth to slow to 7 per cent in 1991 from last year's 11 per cent.

The composite index fell 16.36 to 679.75 in volume of Won105.6bn, after the previous session's Won293.6bn.

HONG KONG weakened in thin trading following Wall Street's overnight slide and on mounting Gulf jitters. The Hang Seng index lost 26.46 to 3,004.88, its lowest close in a month, after rallying from a 41-point drop registered in the early afternoon. Turnover was still extremely thin but rose to HK\$333m from HK\$241m.

Jardine Matheson featured with a drop of 80 cents to HK\$27.50 amid rumours that its shares were about to be suspended.

BANGKOK was broadly lower in thin trade. The SET index shed 8.03 to 586.92 in low volume of 555m baht.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World indices as at DECEMBER 31, 1990 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar index value over the 1990 calendar year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at DECEMBER 31, 1990 (US\$m)	% of World Index	Market capitalisation as at SEPTEMBER 28 1990 (US\$m)	% of World Index	% change in \$ index since DECEMBER 31, 1989
Australia (75)	78293.5	1.26	90354.6	1.60	−22.02
Austria (19)	10687.2	0.17	9768.7	0.17	+7.93
Belgium (60)	44284.3	0.71	43426.0	0.77	−14.51
Canada (120)	138750.6	2.24	134902.5	2.38	−14.55
Denmark (33)	24470.9	0.39	24698.9	0.44	−3.96
Finland (25)	2265.5	0.04	2633.7	0.05	−22.63
France (122)	195887.8	3.16	183185.1	3.24	−15.56
Germany (91)	259890.7	4.19	234146.1	4.14	−9.55
Hong Kong (48)	54558.7	0.88	50458.3	0.89	+3.99
Ireland (16)	8138.6	0.13	7803.1	0.14	−18.22
Italy (91)	89918.6	1.45	95948.5	1.70	−20.44
Japan (453)	2027841.6	32.67	1759088.6	31.09	−36.80
Malaysia (34)	7371.1	0.12	6240.1	0.11	−7.38
Mexico (12)	11424.3	0.18	9509.3	0.17	+79.57
Netherland (41)	101465.4	1.63	96669.6	1.71	−6.89
New Zealand (15)	6513.5	0.10	8301.3	0.15	−39.79
Norway (27)	7854.0	0.13	8497.6	0.15	+2.21
Singapore (25)	13275.2	0.21	12398.4	0.22	−10.13
South Africa (60)	53176.1	0.86	48220.9	0.85	−6.94
Spain (41)	63625.5	1.03	57585.4	1.02	−13.96
Sweden (27)	23166.1	0.37	23591.5	0.42	−16.98
Switzerland (68)	89847.5	1.45	88576.2	1.57	−5.46
United Kingdom (297)	707589.8	11.40	634307.1	11.21	+4.39
USA (533)	2186562.8	35.23	2028496.1	35.85	−6.81
Europe (958)	1629091.9	26.25	1510637.6	26.70	−5.52
Nordic (112)	57756.4	0.93	59421.9	1.05	−10.49
Pacific Basin (650)	2187853.6	35.25	1926841.4	34.05	−35.55
Euro – Pacific (1608)	3816945.4	61.50	3437679.1	60.75	−25.46
North America (653)	2325313.3	37.46	2163398.6	38.23	−7.30
Europe Ex. UK (661)	921502.1	14.85	876530.5	15.49	−11.89
Pacific Ex. Japan (197)	160012.0	2.58	167752.8	2.96	−14.16
World Ex. US (1800)	4020296.4	64.77	3630311.8	64.15	−24.80
World Ex. UK (2036)	5499269.4	88.60	5024500.8	88.79	−21.54
World Ex. So. Af. (2273)	6153683.1	99.14	5610587.0	99.15	−19.35
World Ex. Japan (1880)	4179017.6	67.33	3899719.3	68.91	−6.81
The World Index (2333)	6206859.2	100.00	5658807.9	100.00	−19.25

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 2 1991								MONDAY DECEMBER 31 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	118.98	+0.8	90.81	101.15	92.17	102.20	+0.4	7.79	118.05	90.69	101.22	91.76	101.80	158.31	117.52	151.42
Austria (19)	191.41	−2.7	146.09	162.74	148.28	148.27	−3.1	1.84	196.64	151.06	168.62	152.84	152.97	285.63	178.57	193.15
Belgium (60)	132.47	+0.2	101.11	112.62	102.62	100.62	−0.3	5.70	132.22	101.57	113.37	102.77	100.92	160.02	126.67	154.78
Canada (116)	129.64	−0.3	98.95	110.22	100.42	108.66	−0.6	3.69	130.03	99.89	111.49	101.06	109.27	153.61	121.24	153.46
Denmark (32)	230.13	−1.1	175.64	195.66	178.27	180.05	−1.5	1.67	232.63	178.71	199.48	180.81	182.80	277.62	224.71	237.50
Finland (23)	102.10	−1.0	77.93	86.81	79.10	77.37	−1.4	3.97	103.14	79.23	88.44	80.16	78.46	152.29	98.91	131.29
France (114)	130.77	−0.7	99.81	111.17	101.29	104.05	−1.0	3.95	131.75	101.21	112.97	102.40	105.14	168.85	124.98	154.04
Germany (88)	110.20	−1.5	84.11	93.70	85.36	85.36	−1.9	2.67	111.90	85.96	95.97	86.98	86.98	144.63	101.38	123.16
Hong Kong (48)	122.29	+0.4	93.34	103.97	94.74	122.38	+0.3	5.47	121.81	93.57	104.44	94.68	121.97	147.49	112.24	117.28
Ireland (16)	147.96	−0.3	112.93	125.79	114.61	116.86	−0.7	4.43	148.46	114.05	127.30	115.39	117.89	198.57	139.04	182.58
Italy (93)	78.32	+0.0	59.78	66.58	60.67	65.63	−0.5	3.92	78.31	60.16	67.14	60.86	65.97	109.26	75.73	97.32
Japan (453)	125.83	+0.9	96.04	106.98	97.49	106.98	+0.0	0.80	124.77	95.84	106.98	96.99	106.98	197.26	106.58	194.16
Malaysia (34)	209.17	−1.4	159.64	177.83	162.03	218.11	−1.2	3.09	212.14	162.96	181.89	164.88	220.57	250.89	182.96	232.05
Mexico (12)	585.15	+0.1	446.60	497.49	453.28	1885.99	+0.0	0.36	584.45	448.97	501.15	454.26	1885.99	613.96	324.53	237.90
Netherland (41)	134.43	+0.3	102.60	114.29	104.14	103.17	+0.0	5.21	133.97	102.92	114.88	104.13	103.12	149.03	127.56	143.40
New Zealand (15)	43.79	+0.9	33.42	37.23	33.93	39.21	+0.0	8.62	43.41	33.34	37.22	33.74	39.21	75.36	42.62	72.09
Norway (30)	204.77	+0.2	156.29	174.10	158.63	162.87	−0.1	1.87	204.27	156.92	175.15	158.77	163.03	276.79	193.70	202.34
Singapore (25)	158.16	−0.7	120.73	134.49	122.53	127.02	−0.5	3.30	159.27	122.35	136.57	123.79	127.60	209.24	147.24	179.70
South Africa (60)	186.33	+1.9	142.21	158.41	144.34	137.80	+1.0	3.96	182.89	140.49	156.82	142.15	136.21	251.39	151.50	195.99
Spain (41)	138.01	−1.6	105.33	117.34	106.91	99.58	−2.0	5.61	140.32	107.79	120.32	109.06	101.57	182.25	128.54	162.69
Sweden (27)	156.04	−2.1	119.10	132.67	120.88	129.65	−2.4	3.15	159.45	122.49	136.72	123.93	132.77	234.93	153.11	189.79
Switzerland (65)	89.85	+1.0	68.57	76.39	69.61	70.30	+0.0	2.98	88.93	68.32	76.26	69.13	70.30	109.77	85.00	92.33
United Kingdom (297)	165.50	−0.1	126.32	140.70	128.19	126.32	−0.7	5.53	165.67	127.27	142.04	128.76	127.27	176.18	139.87	159.44
USA (527)	131.85	−1.1	100.63	112.10	102.14	131.85	−1.1	3.78	133.31	102.41	114.31	103.62	133.31	148.95	119.06	145.40
Europe (946)	133.96	−0.4	102.24	113.89	103.78	103.40	−0.9	4.50	134.53	103.34	115.35	104.57	104.37	157.65	124.91	142.01
Nordic (112)	165.50	−1.3	126.32	140.71	128.21	128.10	−1.6	2.37	167.71	128.83	143.80	130.35	130.24	223.29	162.50	185.01
Pacific Basin (660)	125.14	+0.8	95.51	106.40	96.94	107.01	+0.0	1.21	124.12	95.35	106.43	96.47	106.99	192.75	107.82	189.62
Euro – Pacific (1596)	129.07	+0.3	98.51	109.73	99.98	106.24	−0.4	2.51	128.70	98.87	110.35	100.03	106.66	174.18	118.03	170.74
North America (643)	131.62	−1.0	100.46	111.92	101.98	130.33	−1.1	3.77	133.02	102.18	114.07	103.40	131.72	148.43	119.26	145.76
Europe Ex. UK (649)	114.74	−0.7	87.57	97.57	88.90	89.99	−1.1	3.72	115.51	88.73	99.06	89.80	90.98	145.62	109.94	130.11
Pacific Ex. Japan (197)	116.33	+0.4	88.79	98.92	90.12	103.81	+0.2	6.45	115.83	88.98	99.33	90.04	103.58	146.72	115.76	135.23
World Ex. US (1784)	129.92	+0.3	99.16	110.46	100.64	107.08	−0.4	2.66	129.54	99.51	111.08	100.69	107.49	173.77	117.12	170.48
World Ex. UK (2014)	126.05	−0.2	96.20	107.17	97.65	113.61	−0.6	2.73	126.31	97.03	108.31	98.18	114.31	162.00	115.37	160.55
World Ex. So. Af. (2251)	129.21	−0.2	98.62	109.86	100.10	114.70	−0.6	3.04	129.48	99.47	111.04	100.65	115.44	161.84	118.04	160.21
World Ex. Japan (1858)	132.76	−0.7	101.33	112.89	102.86	119.00	−0.9	4.16	133.71	102.71	114.66	103.94	120.12	151.59	124.31	144.63
The World Index (2311)	129.55	−0.2	98.88	110.15	100.36	114.86	−0.6	3.05	129.80	99.71	111.31	100.90	115.59	162.05	118.33	160.43

Markets closed January 2: Japan, New Zealand and Switzerland. Latest prices were unavailable for this edition.
Constituent changes 4/1/91: Addition: Repola Free. Deletions: Rauma-Repola Free and Utd. Paper Mills Pref.(all Finland).